Commonwealth of Massachusetts

FY2006 Closing
FY2007 Opening
Instructions

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Office of the Comptroller

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Section One
Introduction and General Information

This year marks the third opening and second closing of the Massachusetts Management Accounting and Reporting System (MMARS). These instructions highlight the most important aspects of the closing and opening of MMARS. If you need to find a subject, use the "Find" feature in your web browser to search for a specific topic. Updates to these instructions will be issued as needed and posted to the Knowledge Center.

The FY2007 Opening and FY2006 Closing will require careful attention to procedures and specified dates. The CTR Knowledge Center, Help Desk, and Special Closing/Opening Workshops will provide the assistance departments need. Do not hesitate to use these resources to seek advice when needed. Please review e-Updates and Close/Open Updates on the Knowledge Center. When frequent messages are expected, remember to refresh the Knowledge Center webpage to ensure up-to-date information is displayed.

Close/Open Meeting

Chief Fiscal Officers and staff with fiscal responsibilities are invited to attend the Office of Comptroller's annual Closing/Opening. Please register at http://146.243.104.194/rapidportal/login.htm for the sessions below.

General Overview Sessions

Date: Wednesday, May 3, 2006 from 9:30 A.M. to 12:00 P.M.
Hoagland-Pincus Conference Center, 222 Maple Ave., Shrewsbury (UMASS Worcester)
Date: Friday, May 5, 2006 from 9:30 A.M. to 12:00 P.M.
Federal Reserve Bank Auditorium, 600 Atlantic Avenue, Boston, Massachusetts

Interim Budget

CTR and ANF will submit an Interim Budget request in the event that the GAA is not passed by the Legislature and signed by the Governor by July 1st. This will provide funding for the continuation of essential services across the Commonwealth. While no new programs or projects are supported as part of the interim budget, all routine business to carry out department missions is included (i.e., payrolls, client benefits, leases, goods and services).

Once notified that the Interim Budget is signed, departments should proceed with routine business, including paying bills in 30 days. All activity conducted under an interim budget will be subject retroactively to the conditions and restrictions included in the GAA when signed into law. Departments must not undertake any activities which they have reason to believe will not be supported by the relevant appropriations and other provisions of the GAA, specifically, any obligations which are not supported by an appropriation that appears in both the House and Senate Budgets. Further detail on operating under an interim budget can be found in Administrative Bulletin 9 (http://www.mass.gov/eoaf/docs/administrativebulletin9.doc). If there is a question about whether an account will be funded, the CFO should confer with ANF.

In addition to ensuring the availability of sufficient funding to support an expenditure, departments are responsible for determining the appropriate object code classification and requirements for any planned expenditure from the Expenditure Classification Handbook, PRIOR to incurring an obligation. Departments unable to identify a particular expenditure by object class and object code or having questions should contact CTR's Accounts Payable Bureau or Legal Unit for guidance.

Internal Control

Internal controls are tools to assist a department in meeting its goals by identifying risks and establishing policies and procedures to mitigate those risks. An internal control plan encompasses the highest-level goals and risks of the department. This high level summary must be supported by lower level detail, specifically departmental policies and procedures.

During times of change, internal controls are particularly crucial. The auditors will be reviewing internal controls both centrally (CTR and ITD) and at the department level. They will review department internal control plans and policies and procedures for updates resulting from the implementation of MMARS in May 2004. In preparation for this action, please review and, if necessary, update your internal control plan and supporting departmental policies and procedures.

Prompt Payment Discounts
In November 2005, the Office the Comptroller (CTR) and Operational Services Division (OSD) issued a joint policy memo instructing departments to maximize savings by utilizing prompt payment discounts.

The Commonwealth has business relationships with thousands of business entities totaling billions of dollars, offering a significant base for Prompt Pay Discounts. It is mutually beneficial to negotiate and include terms of Prompt Pay Discount in all new and amended contracts with all vendors. Contractor's benefit from Prompt Pay Discounts that result in improved cash flow and predictable payment stream for commodities or services rendered. The Commonwealth benefits because contractors reduce the cost of products and services through the applied discount. Departments must check the terms of discounts on department initiated contracts and statewide Master Agreements (MA) to identify the prompt payment discount options available and ensure maximum savings.

All payment requests should be reviewed and, if approved, processed in MMARS immediately with a goal of within 9 calendar days. This goal will allow MMARS to take the maximum discount available or if none was negotiated will support the Commonwealth bill paying policy, scheduling those to be paid in 30 days.

To assist with department analysis of payments made and discounts taken or missed MMARS FY2006-20 memo provides starter queries that departments can run in the Commonwealth Information Warehouse at the account or unit level to identify payments made with discount terms offered. In addition the report NAP630W is now available in DocDirect for a month end listing of discounts missed.

Understanding the potential savings to the Commonwealth, CTR and OSD are launching a Prompt Payment Discounts (PPD) Campaign to assist departments so that new/modified contracts will include standard discount terms.

Document Catalog Management
The purge of the document catalog for rejected documents that have been out there 60 days or more will occur when we close period 10 scheduled for May 15th. See the purge policy document http://knowledgecenter.osc.state.ma.us/KC/Policies_Procedures/Policies/System_Automation/SysAutomation_Remark_Purge_2005_01.doc within the Knowledge Center for additional details. Please keep in mind as you are managing the Document Catalog.

Deleting Documents from MMARS Document Catalog
How do I Cancel a Document Not in Final Status?
- From the Document Catalog,
- Check the box next to the Doc ID, then
- Click the Action Menu
- Select Editing Actions and
- Select Discard.

This discards the document from the Document Catalog.

How do I Cancel a Document in Final Status?
Note: Documents that are closed cannot be canceled.

- From the Document Catalog,
- Check the box to the left of the Doc ID, then
- Click the Action Menu
- Select Editing Actions and
- Select Discard.

This creates a Cancellation Draft Document.
- Click Validate
- Submit the document.

Also, this created a Historical Record of the Cancellation.

Department Head Signature Authorizations/MMARS Security
Signature Authorization is incorporated into MMARS security. As a reminder, the Office of the Comptroller no longer requires departments to "file" these designations at the Comptroller's office. As part of your annual Internal Control Review and Fiscal Year Opening responsibilities, you will need to review the current security role designations associated to staff in your agency. Individuals with "Administrator" security roles and signatory authority may bring a document to final phase without a written signature on the document. Individuals with "Administrator" security roles without signatory

authority must obtain a “wet” signature signoff on a screen print of the document or on a Records Management Authorized Signature Form PRIOR to bringing that document to final phase. Departments are responsible for compliance with the following policies related to Department Head Signature Authorization:

(Security) Department Head Signature Authorization and Electronic Signatures for MMARS Documents

(Security) MMARS Security Policy

(Contracts) Delegation of MMARS Document Processing Authority and Quality Assurance

(Contracts) State Finance Law and General Requirements

Single Audit

The Commonwealth’s Statewide Single Audit for FY2006 has begun. As in previous years, this audit will be a joint undertaking of the CTR, the accounting firm Deloitte & Touche, and the Office of the State Auditor. As in previous years, the auditors will review invoice date stamps and payroll certifications as part of their federal program review.

Key Contacts

CTR maintains a database of individuals, formally appointed by a department head, who are responsible for the department’s compliance with various aspects of state finance law. CTR uses this database to communicate information and relies on these individuals as the knowledge base of the departments in their areas of expertise. These individuals are *appointments* by the department head with very specific duties. The duties of these individuals have been clarified to reflect changes in MMARS. Please check the policy found at http://www.mass.gov/CTR/Accountg/Comptroller_forms/DeptKeyPersonUpdate.doc to review these responsibilities. We recommend that the Security Officer be responsible for managing DHSA approvals prior to giving security access.

The Internal Control Officer should be responsible for ensuring that the DHSA, MMARS security, and Key Appointments are up to date, both at the department and at the Comptroller’s Office. These responsibilities are vital for maintaining the series of reliance’s CTR uses to approve the warrant. It is critical that departments notify CTR promptly of any changes so that we can accurately communicate information to your department.

Chief Fiscal Officer
Internal Control Officer
MMARS Liaison
General Counsel
Payroll Director
Security Officer
GAAP Liaison
Single Audit Liaison

Department Heads should review the list of personnel who coordinate policy and procedures on their behalf and reappoint individuals to these roles. Please review the current list within your Department and forward any changes. Each individual listed requires access to Magnet in order to access information posted by the Office of the Comptroller.

Electronic Signature, Electronic Documents, and Backup Documentation

Electronic signatures are limited to MMARS documents and may **NOT** be used for underlying supporting documentation (such as contract documents). Although state law authorizes electronic signatures, the Commonwealth is in the process of developing standards for using electronic signatures, which will be issued by the Supervisor of Public Records and the Records Conservation Board in cooperation with the Information Technology Division (ITD) and guidance from CTR.

What appears in the MMARS system will be considered the “official record” or “record copy” of fiscal activities and will supercede paper or other formats of the same information. Departments must remember that MMARS is an accounting system, used to record and report on fiscal activities. Therefore, it is imperative that everything entered into MMARS is verified as accurate and complete, since departments will be audited based upon what appears in MMARS, not paper backups of MMARS documents.

The fact that the MMARS system “allows” a document to be processed to final status does not mean that the document is automatically legal, in compliance with legislative or funding authority, or properly authorized by a department head. Therefore, staff must be trained that merely finding a systemic way to process a document to final status is insufficient, and that they will be held responsible and accountable for all activity under their UAID. Individuals unsure of the proper processing or required approvals have an obligation to obtain guidance and approvals from their Chief Fiscal Officer prior to processing a document to final status.

The MMARS transaction itself will be retained electronically on behalf of departments in MMARS. Therefore, MMARS transactions do not have to be printed and saved with supporting documentation provided the Doc ID is identified on the back up documentation to match with the MMARS Transaction. For example, the Payment Request Commodity (PRC), General Accounting Expense or Non-Commodity Payment Request (GAX) or Incidental Payment Request (INP) may be generated, electronically approved and stored. However, the requirements for retaining backup documentation to support transactions, i.e. payments/expenditures, have NOT changed. The same types of documentation used in the past to support payments/expenditures are required in MMARS. Reviewers, auditors, oversight agencies, etc., will access MMARS to review the accuracy, authorizations, and set-up of transactions. Departments must continue to maintain files with documentation to support these transactions, which will also be tested by auditors.

Examples of the types of documentation that should be retained for the various payments include the following:

- Original invoices for services or goods purchased with a description, quantity, and price. If the invoice was submitted electronically the invoice must either be printed and retained with the contract or payment records, or if the invoice is retained electronically, the invoice must be retained in accordance with records retention requirements and remain capable of being printed (without modification) with all necessary information (date, quantity, price etc) for the duration of the records retention period and for audit purposes. (6 years from last payment on contract for contract and grant related invoices). Please note that if a Department plans to retain invoices submitted through email the Department must print these invoices and retain with the contract or payment records, because electronic mail is not a satisfactory electronic storage mechanism for electronic records. Email header information and date stamps are not always retained depending on how the emails are stored and archived, and there is a greater risk that these emails will be inadvertently deleted during storage maintenance purges.
- Receiving documents or inspection reports;
- Purchase orders;
- Original signed contracts and amendments;
- Procurement information;
- Information relating to dates and scope of service, method of payment; and
- Approvals where necessary.

Examples of the types of documentation to be retained for payroll transactions include these items:

- Time records that are signed by employee and supervisor, including hours worked and leave taken;
- Posting to cumulative records;
- Signed contracts describing scope of services and rate to be paid for contract employees;
- Proper allocation or distribution of employees' times and cost to applicable department;
- Hiring letters or appointment documentation;
- Payroll certifications; and
- Approvals where necessary.

While the above guidance provides examples of the various types of documentation that should be retained, it is not all-inclusive. Remember that all transactions must be supported by detailed information. Under certain circumstances, departments may want to print out, sign, and retain a copy of these documents to file with the back up. Departments will need to review the specific CTR policies and procedures for each type of activity to determine the unique requirements for record keeping.

Records Management

Pursuant to 815 CMR 10:00 **Records Management of Bills, Vouchers and Contracts**, departments have been designated the "keeper" of all record copies of contracts and supporting documentation. This policy governs *all* contracts, grants, Interdepartmental Service Agreements (ISAs) and amendments, which use the BGCN/BGCS, IE, CT, RPO, PC, GAE, or RQS/GAP MMARS encumbrance and the following supporting payment request documents: PRC, PRM, GAX, INP & IET documents, or any other document necessary to process a contract.

Records Management includes maintaining the complete original "record copy" of a document for the required retention period and then archiving the document in accordance with the records retention schedule published by the Records Conservation Board of the Secretary of State's Office (SEC). See Retention Schedule at: http://www.sec.state.ma.us/arc/arcrmu/rmuidx.htm.

- **CTR** will maintain the record copy of all **MMARS transactions** processed in MMARS and will be responsible for retaining and archiving these records. Departments do not have to separately maintain copies of MMARS Transactions.

- **CTR** will also maintain record copies of **W-9 Forms, Commonwealth Terms and Conditions, Commonwealth Terms and Conditions for Human and Social Services and Electronic Fund Transfer (EFT) Authorization forms** which must continue to be submitted to CTR to register a vendor. Departments should retain copies of these documents for the contract files. Please note that the EFT Forms and Individual SSN#s (TIN) on the W-9 and T&C are confidential and should not be released in a public record request.

Departments are required to maintain all "back up" or "supporting documentation" related to a MMARS transaction for the requisite period of time specified for that type of document in accordance with the **SEC Retention Schedule**. For example, contract and payment related documentation must be maintained for 6 years from the last payment made under that contract or until any litigation involving the contract is resolved (which would include procurement, contract, payment and correspondence.) Please see previous section for more examples.

New, Consolidated or Closing Department Checklists

If your department was created, consolidated, closed, or modified in any way because of the General Appropriation Act or any other legislation, contact the Accounts Payable Bureau at CTR for a copy of the "New, Consolidated, or Closing Department Checklist."

- Departments and Secretariats are reminded that any reorganization must be authorized in legislation.
- Staff must work for the department where they are paid unless there is an approved ISA.
- Programs cannot be transferred to other departments without legislative authorization.

Expenditure Classification Handbook

Object Code Reclassification

In an effort to streamline and improve financial reporting, the Office of the Comptroller (CTR) and the Executive Office for Administration and Finance (ANF), with the agreement of the House and Senate Committees on Ways and Means, have updated the Expenditure Classification Handbook.

The biggest change in the Expenditure Classification Handbook has been to centralize the costs of construction, improvements and the ongoing maintenance and repair of Commonwealth properties into the NN Object Class (subsidiary). These costs were formerly found in multiple object classes, which lessened the ability to calculate the true current and future costs of maintaining Commonwealth properties. Therefore, by centralizing all facility costs in one object class, the Commonwealth will now be able to accurately track, anticipate and adequately fund not only the costs of new Commonwealth buildings and facilities, but also to properly repair and maintain existing facilities and structures.

The costs of "operational services" and running "programs" which are not related to maintaining a facility will remain in the current object classes for these purposes. In addition, a number of object codes with low levels of spending and without a specified need for separate reporting have been consolidated.

Most importantly, changes and consolidation of object codes will not change the applicable procurement and contracting requirements or the MMARS documentation that currently exists. Existing contracts will not have to be re-executed or amended. The new changes will only affect the underlying MMARS FY2007 and out year (future FY) line(s) of MMARS encumbrance documents.

The MMARS encumbrance transactions impacted by this change include the RQS, CT, RPO, PC, IE, GAE, and GAP. All new obligations and applicable encumbrance documents will need to use the new or revised object codes and follow the applicable procurement and encumbrance guidelines outlined in the Expenditure Classification Handbook effective with FY2007 business. Detailed crosswalk guidance will be distributed to CFOs, MMARS Liaisons and Payroll Directors through a separate memorandum as well as a link to the revised Expenditure Classification Handbook on CTR's

Knowledge Center. Departments should review their anticipated obligations for FY2007 and ensure that the appropriate object codes are utilized for new or existing encumbrance documents.

As part of the House One load, ANF will add an NN Object Class to FY2007 account structures for those departments that do not currently have an NN Object Class. An estimate for each department's NN spending will be developed based on FY2006 spending in the object codes transitioning to the NN in FY2007.

To reduce the administrative burden on departments in updating multi-year encumbrances, CTR will cross-walk and modify existing encumbrances from the old to the new or revised object codes through the roll process or manually, as needed. CTR will also provide additional support for other issues that may arise during this transition.

Given the significance of the changes, ANF has provided assurance that subsidiary transfers (BGTS) to implement the object code changes during this time of transition will be supported, as appropriate, after he GAA load inJuly.

As soon as the pre-encumbrance and encumbrance roll is completed by CTR, affected departments should review and validate that appropriate encumbrance documents have been rolled from FY2006 to FY2007 correctly.

Unemployment Insurance, Universal Health Insurance and Medicare Tax

Beginning in BFY2007, the costs of Unemployment Insurance (UI) and Universal Health Insurance (UHI), and the employer's share of the Medicare Tax (MTX) will be calculated in a similar manner as fringe benefit costs. At the closing of each Accounting Period, a percent of AA and CC object code expenditures will determine the monthly amounts of UI, UHI and MTX incurred by account for all account types. Since these charges will be calculated based on the gross salaries of regular and contractual employees as recorded in MMARS, they will post to the same level of accounting detail as the salary expenditures. UI, UHI and MTX will continue to be expended under object codes D11, D18 and D13, respectively.

A proposed rate of 1.31% has been submitted to the U.S. Department of Health and Human Services for Federal approval.

Benchmarking

The Commonwealth has begun a Finance Benchmark Study. The results of this study will benefit the Commonwealth many ways.

The results will provide:

- a baseline to measure future MMARS performance
- accurate comparisons when evaluating cost/benefit as additional features and functionality are implemented.
- opportunities to identify best practices, evaluating efficiency and effectiveness of our fiscal operations.

In addition, Commonwealth summary information will be compared with other states that have benchmarked their financial activity.

Data collection, surveys and interviews will continue through May 18th. The results are expected to be available in early July.

Comments Field

MMARS includes functionality that allows the addition of comments to documents. This field is a maximum of 1500 characters in length. Comments for a document are not yet available in the data warehouse. Currently, the Office of the Comptroller is using comments for:

- **Rejected Documents and the Use of the Comments Field**
  Pending transactions that are rejected by the Office of the Comptroller will display the reason(s) for the rejection in the Comments field. Your daily Document Catalog management should review these rejected transactions with a 'Yes' in the "Comment" column. You should review and take appropriate corrective action. Documents will be returned if the department fails to correct the errors within 5 business days.

- **Interdepartmental Business and the Use of the Comments Field**
  Interdepartmental Sellers have the option of adding a comment to the ITI document generated for the buyer department. Sellers may utilize the Comments Field to define the service/good and dates of service for which the ITI is being issued.

To reduce the volume of paper submission for review and approval, the use of Comments has been implemented on the following documents:

- **Expenditure Corrections (EX)**
- **Expenditure Refunds (ER)**
- **CEC/GAEC Encumbrance Correction Documents**

Effective July 1, 2006, the Office of the State Comptroller's Payroll Bureau will require Departments submitting LCM POAA rules use the comments field: The CTR/Payroll Bureau will no longer accept the LCM Rules Form. Instead, Departments must utilize the ***Document Comment*** functionality within the LCM POAA document, located in the secondary navigation panel. The use of this tool will allow effective two-way communication and eliminate the use of paper as well as allowing the workflow of the entire rule process. All LCM POAA Rule job aids have been updated to reflect this change in procedure.

Department Resources

Comptroller's Knowledge Center

The Comptroller's Knowledge Center, at http://knowledgecenter.CTR.state.ma.us/KC/Home.asp, is a web-based portal providing user support information, MMARS resources, and services for end users. CTR Knowledge Center is your "one-stop" information center for policies, procedures, fiscal updates, training, job aids, forms, and other resources needed to conduct departmental day-to-day business.

Helpdesk

The Help Desk is available for users with questions that cannot be answered on the Knowledge Center. As a reminder, all calls must be channeled through the Help Desk to make sure issues are accurately logged and resolved, providing users with a single point of contact for support.

MMARS Helpdesk Hours of Operations

The Help Desk will be open Monday through Friday, 8:00 A.M. – 5:00 P.M. and can be reached by calling 617-973-2468.

MMARS Hours of Operations

MMARS will be available Monday to Friday, 8:00 A.M. – 6:00 P.M.

MMARS On-line availability for Saturdays

Saturdays from 9:00-4:00

Saturday Dates	Saturday Dates
May 20	September 4 (Monday Holiday)
May 27	September 23
June 17	September 30
June 24	October 21
July 1	October 28
July 4 (Tuesday Holiday)	November 18
July 29	November 25
August 19	December 16
August 26	December 23
	December 30

Office of the Comptroller/Close/Open Training Sessions

Register for these sessions via the Training/Meeting Schedule on the CTR Knowledge Center

May 2006			
Close/Open Related Sessions	**Date**	**Time**	**Location**
MTG Close/Open General Session (Shrewsbury)	May 3	9:30-12:00	Hoagland Pincus Conference Center 222 Maple Ave, Shrewsbury
MTG Close/Open General Session (Boston)	May 5	9:30-12:00	Federal Reserve Bank 600 Atlantic Avenue, Boston
WC Close/Open General Accounting	May 9	10:00-11:00	N/A
IL Close/Open for New Users	May 12	10:00-12:00	Office of the Comptroller One Ashburton Place, 9th, Boston
WC Close/Open Encumbrance Management	May 16	10:00-11:00	N/A
IL Federal Grants	May 18	9:00-12:00	Office of the Comptroller One Ashburton Place, 9th Boston
WC Close/Open Payroll Management	May 22	10:00-11:00	N/A
WC Close/Open Payment Management	May 23	10:00-11:00	N/A
WC Close/Open Accounts Receivable	May 30	10:00-11:00	N/A
June 2006			
Close/Open Related Sessions	**Date**	**Time**	**Location**
MTG Department User Meeting	June 6	1:00-3:00	DMR Palmer MA
MTG Payroll User Group	June 7	9:30-12:30	One Ashburton Place, 21st Boston
WC Payroll User Group	June 7	9:30-12:30	N/A
IL Federal Grants	June 12	9:00-12:00	Office of the Comptroller One Ashburton Place, 9th Boston
IL Encumbrance Management	June 13	9:00-12:00	One Ashburton Place, 9th Boston
IL Payment Management	June 20	9:00-12:00	One Ashburton Place, 9th Boston

Course Descriptions

WC Accounts Receivable

This webcast will focus on Accounts Receivable in regards to key Closing and Opening issues and dates. Key areas to be covered are: RE and CR Guidance, Summary Receivable Modifications, CR Guidance, and Intercept Reconciliation along with other key information. End users who deal with accounts receivable should plan on attending this webcast.

WC Chart of Accounts

It is that time of year to review your Department's existing Chart of Account structure and determine if any changes need to be made for fiscal year 2007. As you know, the MMARS Chart of Accounts (COA) provides a means to measure and report how dollars are spent and collected. As part of the FY2006 Closing/FY2007 Opening, the Office of the Comptroller is providing support and guidance as you undertake this task.

WC Encumbrance Management

This webcast will focus on Encumbrance Management in regards to key Closing and Opening issues and dates. Key areas to be covered are: Object Code Reclassification, Encumbrance Deadlines, Late Encumbrance Processing, and Encumbrance Corrections along with other key information. End users who deal with encumbrances should plan on attending this webcast.

WC General Accounting

This webcast will focus on General Accounting information in regards to key Closing and Opening issues and dates. Key areas to be covered are: Appropriation and Account Management, Cash Reconciliation and CR Guidance along with other key information. End users who deal with general accounting issues should plan on attending this webcast.

WC Payment Management
This webcast will focus on Payment Management in regards to key Closing and Opening issues and dates. Key areas to be covered are: Processing Payment Requests, Accounts Payable Period, and Advances along with other key information. End users who deal with payments should plan on attending this webcast.

WC Payroll Management
This webcast will focus on Payroll Management in regards to key Closing and Opening issues and dates. Key areas to be covered are: Split Week (Cross FY) Payroll, Payroll Holds, and Object Code Reclassification along with other key information. End users who deal with payroll/LCM should plan on attending this webcast.

IL Close/Open for New Users
This Instructor-led training is designed for department staff that will be going through their first Close/Open of MMARS. A review of the Close/Open book along with key areas within each business function will be covered. End users who deal with MMARS and/or Payroll should plan on attending this training.

Section Two
Quality Assurance

Section Introduction

The mission of the Office of the Comptroller (CTR) is to increase the efficiency of back office operations across state government, thereby enhancing its delivery of services while ensuring a high level of accountability throughout the Commonwealth's financial operations and providing taxpayers assurance that tax dollars are spent as their elected officials intended.

The Quality Assurance Bureau assists the Office of the Comptroller mission by allowing the Comptroller to delegate the approval of low risk transactions. As part of delegation, departments must adhere to the regulations, policies and procedures for all of their fiscal business.

Internal Controls

Chapter 647 of the Acts of 1989 states that the internal control standards must be in place in all state agencies and, further, that they will be evaluated. CTR developed guidance that outlined components of internal control and types of responsibilities that should be included in an internal control plan. Each department is required to designate an internal control officer to report to the agency head or deputy agency head. The State Auditor's Office (SAO) includes internal controls in its audit plan. Legislation can be found at http://knowledgecenter.CTR.state.ma.us/KC/Internal_Controls/ControlsDoc/chapter_647.doc.

Internal controls are tools to assist a department in meeting its goals by identifying risks and establishing policies and procedures to mitigate these risks. The significance of a department's internal controls cannot be overstated. Properly documented, utilized and updated, internal controls assist managers in protecting the Commonwealth's assets and maintaining the public trust. An internal control plan encompasses the highest-level goals and risks of the department. This high level summary must be supported by lower level detail, specifically departmental policies and procedures. Many departments have used the following approach: First, identify mission, goals and objections. Then, use these goals to prepare a comprehensive risk assessment. Finally, use the results of the risk assessment to ensure that departmental policies and procedures exist to reduce the identified risks, or if they do not exist, establish them. To assist departments in the development of their internal control plans, CTR offers two guides – *Internal Control Guide for Managers* (http://knowledgecenter.CTR.state.ma.us/KC/Internal_Controls/ControlsDoc/ICGsecI.pdf) and *Internal Control Guide for Commonwealth Departments* (http://knowledgecenter.CTR.state.ma.us/KC/Internal_Controls/ControlsDoc/InternalControl_01/CTR_ICG_01.html).

Over a decade ago, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published *Internal Control – Integrated Framework*. COSO lists the components of internal controls as (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication and (5) monitoring.

Control Environment. The control environment sets the tone of the organization and influences the control consciousness of its people. It is an intangible factor that is the foundation for all other components of management control, providing discipline and structure. The control environment includes a commitment to hire, train and retain staff and encompasses both technical competence and ethical commitment.

Risk Assessment. A risk assessment is the process used to identify, analyze and manage the potential risks that could hinder or prevent the achievement of a goal and objective. Risk increases during a time of change, turnover in personnel, rapid growth or establishment of new services. Inherent risk includes complex programs or activities, cash receipts, direct third party beneficiaries and prior problems.

Control Activities. Control activities can be preventive such as authorization lists, computer edits, segregation of duties and supervisory approval or detective such as reconciliation, exception reports and supervisory review.

Information and Communication. Information must be reliable to be of use and it must be communicated to those in need. Communication must be ongoing both within the organization and externally to vendors, recipients, other departments, etc.

Monitoring. After internal controls are in place, their effectiveness needs to be periodically monitored to ensure that the controls continue to be adequate and function properly. Management must also monitor previously identified problems to ensure that they are corrected.

New COSO Internal Control Guidance is anticipated within a few weeks. More information will be provided as it becomes available.

Internal Control Questionnaire

During times of change, internal controls are particularly crucial. The auditors will be reviewing internal controls both centrally (CTR and ITD) and at the department level. They will review department internal control plans and policies and procedures for updates resulting from the implementation of MMARS in May 2004. In preparation for this action, please review and, if necessary, update your internal control plan and supporting departmental policies and procedures. Department management must verify that all transactions, including those processed during the closing of one fiscal year and the opening of another, comply with laws, rules, and regulations. As in previous years, the Internal Control Questionnaire will be the first step in the internal control review process. The ICQ was issued on April 11, 2006 and is due by May 5, 2006.

Quality Assurance Review

The CTR Quality Assurance Review Program is comprehensive – encompassing all fiscal transactions and CTR business areas. The program has two components – Departmental QA Review and Issue Specific Review. The Departmental QA Review validates, through the examination of documents, supporting referenced documentation and query results that the department's internal controls provide reasonable assurance that departments are adhering to Massachusetts State Finance Law and the policies and procedures issued by the Office of the Comptroller. This review has five phases: (1) on-going monitoring, (2) preparation work, (3) desk review and/or site visit, (4) report and (5) follow up. The Issue Specific Review, on the other hand, focuses on a fiscal transaction or process across all departments in the Commonwealth.

Section Three
Managing Appropriations and the Roll of Appropriations from FY2006 to FY2007

Section Introduction
This section highlights management of accounts through the FY2006 closing / FY2007 opening process. This section provides detailed information regarding appropriations and balances of accounts that transition to FY2007. Account management should be a primary concern when scheduling transactions. It is the responsibility of the departments to coordinate Secretariat and Executive Office of Administration and Finance (ANF) approval for the prerequisite transactions.

CLOSING

Appropriation and Account Management

Balances that Forward to FY2007
The first automated balancing forward of amounts in MMARS will be generated for Capital, Trusts, Non-Cash Trusts and Grant accounts (appropriation types 2CN, 3TN, 3TX and 4FN) after split week payroll and fringe and indirect charges for period 12 are processed. Fringe and Indirect processing is scheduled to occur the weekend of July 15, 2006. The automated process for balance forward is scheduled on or about July 21, 2006. Thereafter, the process will occur weekly. Uncommitted balances in Budgetary, Retained Revenue and Intergovernmental appropriation account types (1CS, 1CN, 1RS, 1RN, 1IS and 1IN) will be brought forward ONLY if allowed by legislation and only up to the ceiling specified in such legislation. These authorizations may be contained in the 2007 General Appropriation Act or in a supplemental bill for 2006. Amounts will not be brought forward for these accounts until the Governor has signed that authorization. After the encumbrance lapse on August 31st, additional uncommitted balances will be manually brought forward in budgetary accounts if authorization remains under the approved ceiling.

Expiring Capital Accounts
Departments are reminded that if accounts are not re-authorized by legislation as of July 1st, departments may not continue business including services of employees or contractors in these accounts. Contracts must be terminated or suspended, personnel must be terminated, or contracts or personnel must be transferred to other appropriate accounts authorized for these types of expenditures. Expenditures incurred against other accounts during this time may not be retroactively transferred to these accounts should the account be re-authorized unless specifically provided in the legislation. Please see Expenditure Correction Policy (EX) for restrictions.

Irregular Balances
For budgetary purposes, irregular balances are defined as negative uncommitted, unexpended, accrued cash or expended cash balances in the MMARS budget query (BQ) screens. All budgeted and non-budgeted irregular balances MUST be resolved by June 30th unless specifically authorized in statute. All federal grant irregular balances must be resolved by September 30, 2006.

Departments are reminded that spending on a federal grant account is limited to the authority to draw funds from the federal government for that particular program within the state's budget fiscal year. Departments with unresolved irregular balances in federal accounts; beyond the final closing year draw date/ receipt (final week in September) may be considered in violation of MGL Ch. 20 Sec.26. CTR, in conjunction with the Federal Grants Working Group, is establishing policy on negative accounts, the ability to draw funds and the timeliness of corrections. This policy is being established to mitigate irregular balances for lengthy periods of time. Federal grant revenue on behalf of state FY2006 expenditures needs to be at the Treasurer and Receiver General by July 24, 2006 whether central draw or non-central draw. This should help alleviate irregular balances and allow for cleanup by September 30, 2006.

Expenditure Corrections (EX)
Expenditure Corrections are work-flowed to the General Accounting Bureau for approval except for Federal Grants. If an EX affects a federal grant, specific procedures have been developed by the Federal Grants Working Group to balance sub-accounts in both MMARS and the various federal systems. Departments are responsible for reconciling their accounts and entering timely corrections. EX documents are used for non-payroll corrections. Please see the new Expenditure Correction Policy (EX) on identifying use of the comment section in lieu of sending paper work to CTR.

Federal Grants – CMIA and Non-CMIA

Federal grant corrections (EXs) need to be processed through the Revenue Bureau working with Treasury to assure system balance as there are specific procedures involving the Revenue Bureau, the General Accounting Bureau and Treasury to assure balance between cash, programs, budget and federal systems and to alleviate irregular balances Payroll Expenditure Correction documents (PRADJs) are workflowed to the Payroll Unit. All expenditure corrections must be processed by the end of the accounts payable period to assure the timeliness of the audit. Please see Expenditure Correction Policy (EX) for restrictions.

Expenditure Refunds (ER)

Expenditure Refunds (ER) that are work-flowed to the General Accounting Bureau for approval are those over $5,000. Departments are reminded of the statutory limitations for accounting for cash received for 2006. Cash credited back to 2006 expenditures must be received by the department by June 30, 2006 and deposited into the bank by 12:00 noon on July 1st. A dated/time-stamped deposit slip must be presented to the General Accounting Bureau for any adjustment to 2006 for cash received within the appropriate timeframe and inadvertently credited to 2007. Please see Expenditure Refund Policy (ER) on identifying use of the comment section in lieu of sending paper work to CTR and also look at the Policy within the Knowledge Center for more information.

Expenditure Refunds (ER), Payroll Refunds (PRRV/PRRFC) and Advance Refunds (AR)

Cash deposits, which pertain to ER and PRRV documents, must be deposited in the bank by noon on July 1, 2006 and the ER and PRRV documents entered into MMARS by July 5th, 2006. Unless a request for extension is approve by the Accounts Payable Bureau cash deposits, which pertain to AR transactions, must be deposited in the bank by noon on July 1, 2006 and the AR transactions entered into MMARS by July 5th, 2006.

Budget Transfers

Transfers for budgeted funds must be authorized in either the department's enabling statute or in another legislative action. Transfers between appropriations (BGCN/BGCS) necessary for 2006 activity must be submitted to the General Accounting Bureau for review/approval by June 15, 2006. BGTS transactions are used to transfer between subsidiaries. As always, transfers between the AA subsidiary and any other subsidiary need to be approved by ANF in advance.

OPENING

Chart of Accounts

What is the Chart of Accounts?

Chart of Accounts data elements are the foundation of the financial management system. Changes to the department's Chart of Accounts need to be established prior to any FY2007 activity.

Considerations for Chart of Account Development

The following questions should be considered in determining the right level of coding for your department:

- What organizational information did you report in 2006? Was it detailed properly or is additional information necessary?
- Is your department planning any major re-organization for 2007? Did your department undergo a re-organization during 2006?
- What functional information do you currently access? Do your reporting needs require you to review financial data by services your department provides?
- Do you spend from federal grants or capital appropriations?
- What information is requested by both internal and external entities that are difficult for you to provide?

Chart of Account Set-up – Departmental Budgets

About twenty departments choose to use Departmental Budgets, and if your chart of account set-up needs to change for FY2007, please contact CTR, Marybeth S. Newell at 617-973-2450. Departmental budgets require activities be done in sequence. Departmental budgets, either revenue or expense, MUST be established before any revenue or expenditure related document is processed. Due to changes in object codes, departments that budget at the object code level, will need to re-align/adjust their department budget structures. Departments planning to establish Departmental Expense budgets (structure 83 or 84) should submit any revisions to their Unit /roll-up Tables to the Comptroller by May 5, 2006.

Chart of Account Set-up – Changes to other Departmental Elements

Any changes to chart of account elements controlled by Departments (i.e.: activity, function) must be submitted prior to May 5, 2006. Please submit changes to the Departmental Assistance Bureau, using the chart of account change setup form on the Knowledge Center.

Chart of Account and Budget Set-up – Important Events

As part of the opening of FY2007, the following important events will occur. For details, see the open / close calendar in Section Two –Department Activity Kit.

Balancing Forward 2006 amounts

The first automated balancing forward of amounts in MMARS will be generated for Capital, Trusts, Non-Cash Trusts and Grant accounts (appropriation types 2CN, 3TN, 3TX and 4FN) after split week payroll and fringe and indirect charges for period 12 are processed. Fringe and Indirect processing is scheduled to occur the weekend of July 15, 2006. The automated process for balance forward is scheduled on or about July 21, 2006. Thereafter, the process will occur weekly.

The process will not occur in the Budgeted and Intergovernmental appropriation types (1CS, 1CN, 1RS, 1RN, 1IS and 1IN) where the original authorization has expired, unless authorized in successive legislation and only in amounts allowed by that legislation. For Budgeted Appropriations, the process will occur manually upon enactment of the GAA or any subsequent legislation providing such authorization. Departments with budgeted continuing appropriations should contact the Accounting Bureau regarding the balance forward process.

CTR will be responsible for validation and verification of funds that have balanced forward. The verification will begin in the middle of July 2006.

Program Budgets (structure 87) and Reimbursable Grant Budgets (structure 88) do not need to roll from 2006 to 2007 since these budgets do not contain a Budget Fiscal Year (BFY). Therefore, all activity for 2007 will add to activity already posted for 2006. If, for any reason, a department wishes to segregate this activity by BFY, options would include adding a separate line with a different Program Code to represent the 2007 BFY. For grants, this is likely to be the Federal Fiscal Year (FFY). Major Program/Program Code additions for 2007 should be submitted with all COA changes by May 5, 2006. It should be noted that while activity for 2007 will add to the 2006 activity within these budget structures, information as to the activity by BFY is available in the Commonwealth Information Warehouse.

Federal Grants and Cost Accounting

Administration and Finance Bulletin No. 5, *Recovery of Fringe Benefits and Indirect Costs*, requires departments to budget fringe benefit and indirect costs on all Federal grants and non-budgeted special revenue and trust accounts.

Fringe benefits and indirect costs are not required to be encumbered and the charges will process regardless of the Expenditure Ceiling. To avoid negative balances at either year-end or upon termination of funding, departments must ensure that fringe benefits and indirect costs are adequately budgeted for assessable expenditures posted to an open Accounting Period including the Accounts Payable Period.

Section Four
Federal Grants and Cost Accounting

Section Introduction

Federal Grants are any financial assistance available to a state agency from the United States Government, distributed through a congressionally defined formula or awarded through a competitive process. The latter are termed categorical grants and are usually represented in MMARS as appropriation Type 4FN. All federal grant accounts must use the Reimbursable Grant budget structure (BQ88), which is not Budget Fiscal Year sensitive. The General Appropriation Act and/or the federal award letter determine the authorized amount for a federal grant. It is the responsibility of the Grantee to file timely reports with the awarding federal agency and to prevent expenditures from exceeding the amount of the award.

CTR has created a dedicated unit to assist departments in the daily management of their federal grant activity. The CTR Federal Grant Unit is committed to working with you to assist you with all of your federal grant related issues The staff includes: Kevin Moran @ 973-2606, Lillian Bennett @973-2421, Andrew Richardson @ 973-2456, Alecia Simmons @ 973-2435 and Charles Rollins @ 973-2678.

Massachusetts General Laws Chapter 29, Section 6B (Federal grant funds) and Administrative Bulletin A & F-3 (Federal Grant Administration) provide the authorization and guidance for the participation of a department to apply or participate in a federal grant. This law regulates the policy and procedures that departments must follow prior to going through the federal application process. It covers the main aspects of the “notification to apply” process: Administrative Bulletin A & F-3, Federal Grant Administration, outlines the requirements of Chapter 29:6B in a more readable and useable format.

The Cash Management Improvement Act (CMIA) provides the general rules and procedures for the efficient transfer of federal financial assistance between the federal government and the states. The Cash Management Improvement Act Agreement between the Commonwealth of Massachusetts and the Secretary of the Treasury, in the United States Department of the Treasury, is known as the Treasury-State Agreement (TSA). Each year, the Commonwealth enters into a TSA with the Financial Management Service (FMS), U.S. Treasury. Programs (CFDA#’s) required to be included in the agreement are those that meet the major program definition in the Statewide Single Audit. The Treasury-State agreement may be negotiated by the Office of the Comptroller (CTR) for a five-year period, but must be amended annually as programs meet or fail to meet, based upon a $30,000,000 threshold of federal assistance during the previous fiscal year per CFDA#.

Transition of Automated Central Federal Draw Request

To assure compliance with federal CMIA requirements, all draws of federal funds must be processed through the Commonwealth’s Automated Central Draw (ACD) process, under the supervision of the Comptroller unless specifically assigned to a Non-Central Draw (NCD) process as defined herein due to federal restrictions. CTR may delegate draw authority directly to a state department if CTR determines that federal restrictions or currently available payment mechanisms are inconsistent with the efficient use of the Automated Central Draw process.

During FY05, the CTR Federal Grant Unit assumed the responsibility for processing all drawer requests. This responsibility was a function of the Office of the State Treasurer in prior years. The transition of the draw function to CTR will streamline the entire federal funds process. The CTR Federal Grant Unit correct rejected draws at the time of the draw to decrease the volume of rejects. “Parent” and “Child” Departments share responsibility for working with CTR to ensure that federal funds are received in a timely fashion and in compliance with all federal and state regulations. Departments must inform the CTR Federal Grant Unit of impending changes in processes, accounts, or codes that may affect future requests for federal funds. TRE continues to draw funds on behalf of non-central draw requests.

Establishing/Modifying a Federal Grant in MMARS

If a department has an approved federal grant, it must process and receive approval of a BGRG and BGCN prior to any expenditure activity. This applies to CMIA and non-CMIA grants. In summary, there are 3 categories of federal grant setup activities in MMARS (1) a new federal grant (2) a continuing federal grant and (3) ISA federal grant. The specific procedures for establishing any federal grant in MMARS are listed in the MMARS Knowledge Center under Cost Accounting.

Departments MUST notify the CTR Federal Grant Unit when a grant is complete. If there are any excess funds, these funds must be returned to the granting agency immediately so that the Commonwealth will not incur an interest liability. Any excess funds released from the granting agency to the Commonwealth must be documented by the Department and reported to the Comptroller's office immediately.

It is the responsibility of the Grantee Department to file timely modifications of Budgetary Estimated Receipts with ANF so that the Budgetary Estimated Receipts in MMARS accurately reflect the amount the Grantee Department anticipates will be spent during the current budget fiscal year and for which the Grantee Department has a valid award letter(s).

An example would be as follows:
Assume that a $1,000,000 grant award is received in year 2006 and is valid for two years. ANF receives information from the grantee department that $750,000 will be spent in FY2006 and $250,000 in FY2007. A FY2006 BGCN will load FY2006 Budgetary Estimate Receipts for $750,000. If the department spends only $500,000 in FY2006, and $250K is listed in the FY2007 GAA, the remaining $250,000 needs to be communicated to ANF from the Grantee Department submitting a BGCN to raise budgetary estimated receipts to the remaining $500,000.

FY2006 Rejected Grant Draws

During the course of the year, some ACD federal draw requests reject. These draw requests fail for various reasons, the most common are insufficient funds or sub account is not listed. The CTR Federal Grant Unit will communicate these rejects to the effected department and assist in the remediation plan. The chart below displays the volume of the Automated Central Draw requests through the first 80 cycles in MMARS.

		# of draws	Weekly Average	Total Amount of draws	Weekly Average	Active LOC/Dept	Active Sub-accts
D	EDCAPS	5,797	72	$ 1,127,749,522	$ 13,922,833	48	235
E	ECHO	468	6	$ 10,651,894	$ 131,504	2	37
L	LOCES	4,544	56	$ 151,150,084	$ 1,866,050	61	276
S	SMARTLINK	6,565	81	$ 684,701,991	$ 8,453,111	124	336
Y	ASAP	1	0	$ 17,816	$ 219	1	1
Z	ASAP	3,395	42	$ 514,835,501	$ 6,355,993	30	176
		20,770	**256**	**$ 2,489,106,810**	**$ 30,729,713**	**266**	**1,061**

All FY2006 rejected grant draws (ACD or NCD) must be cleared by August 31, 2006. For FY2007, the Commonwealth will be implementing edits in MMARS to not allow spending on grants if rejects occur more than three draws in a row.

The current process for managing the weekly rejects is for the CTR Federal Grant Unit to manually add the federal draw rejects to an Access database. CTR Federal Grant Unit works with departments to correct the federal grant data and reprocess the draw request. The corrective action typically requires multiple steps. Usually the MMARS federal grant-set up tables need to be modified to ensure that funding profiles are current, before a modifying draw document can be processed. The modifying draw document is a CH if the MMARS data is correct or an EX/PRADJ if the source financial transactions are coded incorrectly. The rejects will be handled with the MMARS Recycling functionality; the plan for using the MMARS Recycling functionality will be addressed in a separate document.

Cross Fiscal Year Transaction Posting

ACD revenue transactions will be posted to MMARS consistent with the Budget Fiscal Year of the source expenditure disbursement document. If you process a BFY2006 accounts payable expenditure document that is disbursed on July 11, 2006 the auto generated Cash Deposit (CD) will post the corresponding revenue to the BFY2006 Revenue Budget (BQ82). This will ensure that the expenditures (BQ89) and revenue (BQ82) will be posted to correct fiscal year.

Reconciling FY2006 BQ89

To successfully close the fiscal year, all FY2006 Federal Grant Appropriations (appropriation type 4FN) must have a BQ89 Unexpended balance of zero. There are many FY2006 Federal Grant Appropriations that currently have a negative unexpended balance. The main reason that an appropriation has a negative unexpended balance is that the

Commonwealth did not receive revenue equal to total of processed federally reimbursable expenditures or payroll transactions. State Finance Law (General Laws Chapter 29 § 26) requires that all appropriations (irregardless of type) "shall not exceed the appropriations made therefore by the general court or the allotments made therefore by the governor." All Federal Grant Appropriations must have a BQ89 Unexpended Balance of zero at the close of each fiscal year. To accomplish this goal the following steps will be taken:

1. Coordinate with the Federal Grant Unit to take the necessary steps to collect all the revenue that is associated with their FY2006 expenditures. This would entail entering a MMARS corrective document by August 15, 2006.

2. Monitor and document the collection of that revenue to ensure it is properly posted to the FY2006 account.

3.If a department cannot collect all the revenue, CTR Federal Grant Unit will immediately to develop the appropriate remediation plan. In prior fiscal years, the remediation procedure was to process a "revenue pushback" CD. The multi-year CD essentially decreased the current fiscal year (by the amount of the BQ89 negative unexpended balance) and increased the prior year net collected earned revenue. The prior fiscal year increase in net collected revenue offset the negative unexpended balance amount. In FY2007, department specific remediation plans will need to be created and approved by both the department and CTR.

Schedule of Federal Financial Assistance - Subrecipient Monitoring

If your grant has subrecipients, monitoring must occur of these recipient by the grantor department. The General Accounting Bureau in conjunction with the Financial Reporting and Analysis Bureau will be asking applicable departments for information needed on subrecipients and other items to prepare the Schedule of Federal Financial Assistance (SFFA) for the single audit of the Commonwealth. Please gather this information for presentation to the General Accounting Bureau, no later than **October 7, 2006.** This information will be requested separately on a specialized correspondence letter mailed to departments in May.

Schedule of Federal Financial Assistance – Other Items

The General Accounting Bureau and the Financial Reporting and Analysis Bureau will also be seeking information in preparation of the SFFA on a number of noted items including, but not limited to:

The Social Security Disability Insurance Program operated by the Massachusetts Rehabilitation Commission
Donated Food Value
Higher Education Only:
Higher Education Federal Financial Assistance Programs
Federal Family Education and Federal Direct Student Loans
Federal Perkins Loan Information

This information is also due on October 7, 2006 and will be requested in a specialized correspondence letter to be mailed to departments in May.

Section Five
Vendor/Customer

Section Introduction

This section highlights the management of Vendors and Customers through the FY Opening process. The VCUST Table is not fiscal year driven. Continue to follow relevant guidance for additions or modifications to file. This section also highlights information on Tax Reporting responsibilities.

MASSfinance and VendorWeb

Vendors can see their scheduled payments and payment history by logging into VendorWeb, a component of MassFinance, which lists the tentative scheduled payment date for Scheduled Payments or the actual payment date, payment number, vendor invoice number, contract number, line amount, any associated text information and the department making the payment in the Payment History section. VendorWeb is located at http://MASSfinance.state.ma.us.

DISRQ and DISBDQ

In MMARS scheduled vendor payments can be reviewed on the Disbursement Request Table, DISRQ. Issued vendor payments can be viewed on the Disbursement Detail Query table, DISBDQ, with several criteria as search options.

Prompt Pay Discounts

MMARS gives departments the ability to enter discount pricing percentages that will automatically calculate discounted payment amounts. Vendor discount information can be entered at three levels:

- At the vendor level, entered on the VCUST table, which will result in an "across the board" discount on all contracts with the vendor;
- At the encumbrance level
    - Statewide contract discount terms will be managed by OSD; and
    - Departments can enter terms negotiated for a specific contract.
- At the payment level – if noted on a vendor's invoices, it should be entered on the individual payment.

Discount precedence applies when discount information is entered in more than one level. A discount at the vendor level applies if no other discount is indicated. A discount at the encumbrance level supersedes a vendor level discount, and a discount at the payment request (PRC or GAX) level supersedes any other discount information.

W-9 Certification

In order to receive payments from the Commonwealth, a vendor must be registered in the Vendor/Customer (VCUST) Table of the state accounting system (MMARS). Departments are required to obtain a completed Massachusetts Substitute W-9 Form (Request for Taxpayer Identification Number and Certification) or an appropriate W-8 Form Series (W-8BEN, W-8ECI, W-8EXP and W-8IMY for foreign vendors).

For Vendor registrations, departments should enter vendor's information through a Vendor Customer Creation (VCC) transaction based on W9 form information from vendor. Vendor should have a legal name, address and a Tax Identification Number. A TIN will either be:

- a Social Security Number (SSN) issued by the Social Security Administration (SSA) for individuals or
- an Employer Identification Number (EIN) issued by the IRS for sole proprietorships, trusts, estates, partnerships, corporations and non-profit organizations.

For Customer registrations departments should make every effort to obtain a W-9. When entering a VCC/VCM for a customer, remember to put CUST in the first four positions of the document identification.

Unpaid Checks

We are continuing to make 1099 corrections because either a check was never received or the vendor returned a check to the departments for specific valid reasons. The ER, CEC or GAEC must be vendor specific and processed in a timely manner so that the tax reportable payment is reversed.

Departments must avoid situations that would allow checks issued in one tax year to be held until the next tax year. Departments must make sure that no checks are held longer than one day. Checks must be deposited timely to avoid erroneous tax reportable payments appearing in the Forms 1099s issued to vendors.

Section Six
Contracts

Section Introduction

Departments are responsible for being familiar with all policies in the CTR Knowledge Center related to Contracts which can be found at http://knowledgecenter.CTR.state.ma.us/KC/Policies_Procedures/PoliciesProcedures.asp?tid=Policies/Procedures&sid=Contracts&dType=Policy.

State Finance Law Reminder

State Finance Law requires that funding be in place before goods, services or other obligations can be requested or accepted from contractors, vendors, or employees. Specifically, under M.G.L. c. 29, § 26; M.G.L. c. 29, § 27; and M.G.L. c. 29, § 29, departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) by departments without a sufficient appropriation and allotment.

Department Head Signature Authorization

Any MMARS document submitted to final status along with its supporting documentation shall operate as the department head's certification that the document is accurate and complete, supported by sufficient legislatively authorized funds, is made in accordance with this department's legislative mandates and funding authority and complies with all applicable laws, regulations, policies and procedures.

Departments are responsible for adherence to the following policies which are available in the CTR Knowledge Center:

- Department Head Signature Authorization and Electronic Signatures for MMARS Documents (Security) http://knowledgecenter.CTR.state.ma.us/KC/Policies_Procedures/PoliciesProcedures.asp?tid=Policies/Procedures&sid=Security&dType=Policy.

Contractor Signature Authorization Listing

For a contract (including grants, leases, subsidies, etc.) to be legally valid, it must be executed by an authorized signatory of both the department and the contractor. As requested by the Office of the Attorney General (AGO), a department is required to take reasonable steps to verify that a contract, including the applicable Commonwealth Terms and Conditions, has been executed by an authorized signatory of the contractor and that the signature that appears on the contract was actually made by the authorized signatory and not a representative. An authorized signatory is an individual who is legally authorized to sign on behalf of the contractor and legally bind the contractor. It must be standard business practice for departments to verify the signature that appears on a contract was made by an individual authorized to execute a contract on behalf of the contractor (regardless of the contract amount).

Departments must establish internal procedures for obtaining and filing contractor authorized signatory listings for all contractors. A department may use the "Contractor Authorized Signatory Listing" issued by CTR or any comparable form provided the contractor certification language appears on the comparable form.

At a minimum, a list of authorized signatories for a contractor must be attached to the record copy of each contract or contract amendment filed at the department. This listing may be obtained once per contractor (as part of either the procurement or contract execution process) and photocopied and attached to each contract the department has with that contractor until the listing is updated. The listing does not need to be attached to a photocopy of any contract submitted to CTR or OSD for workflow review and processing. Quality Assurance Reviews and other post-audit activities will verify proof of contractor signature authorization. For further information, see the Comptroller's Knowledge Center, Policies and Procedures, under Contracts. The section is entitled Contractor Authorized Signatory Listing.

Renewal of Contracts

All contract renewals must be executed by a department head authorized signatory and by an authorized signatory of the contractor prior to the expiration date listed on the contract or the contract will terminate by operation of law and cannot be amended. The Standard Contract Amendment Form or other appropriate amendment form must be used to process the renewal. The Contract Amendment form is in the process of being updated. Departments should continue to use the current form until the new form is issued. Departments must attach all relevant documentation to support the amendment. See the Contract Amendments section of the Standard Contract Form Instructions for additional information. Contracts will not be retroactively revived if an amendment is executed late.

If a contract terminates with time remaining in the procurement (RFR) period, the department may use the time remaining with the following restrictions: (1) The lapse in time between the original contract termination date and the date of the execution of a new Standard Contract Form will be lost. For example, a procurement period is July 1 through June 30 and the original contract referencing this procurement was dated July 1 to June 30. However, the original contract was terminated on December 31. The department either renegotiates with the original contractor or negotiates with another contractor to provide these services for the remainder of the fiscal year. This second contract is signed on February 1. The new contract is within the time remaining in the procurement period; however, services should not be performed or accepted during January 1 to 31 because a valid contract did not exist. (2) The procurement file must include copies of all the required documents (as specified under "Required Standard Contract Form Contents" section of the Standard Contract Ammendment Form). See MMARS Policy “Contracts – Amendments, Suspensions and Terminations” for additional guidance.

Performance made during any lapse in time between the original Contract termination date and the execution of a new Standard Contract Form cannot be compensated under either the original or the new Contract.

See link to Policy “Contracts – Amendments, Suspensions and Terminations” for additional guidance. http://knowledgecenter.CTR.state.ma.us/KC/Policies_Procedures/Policies/Contracts/ProCon_Amend_Sus_Term_2004_01.doc

Contract Extensions with Zero Dollars and No Performance Authorized

If there is time remaining on the procurement (RFR), departments have the option of executing amendments to extend the dates of services of a contract with no dollars and no performance authorized in order to keep the contract paperwork in a suspended status until funding is determined. These extensions do not authorize either continued or new performance, no obligations may be incurred, and the department may not request or accept services. When funding is determined, the department and contractor can execute an amendment to add dollars and performance rather then executing a new contract with all the standard backup documentation. Departments may decide to let contracts lapse as of June 30 and execute new contracts when funding is determined. Under no circumstances, in either situation, may performance be requested or accepted during any lapse or suspension of contract.

Delegation

The following MMARS document processing limits that were implemented with FY2006 business continue to apply in FY2007. These limits are set by document type (transaction) and by object class, if applicable. For additional guidance, please review policy.

- Delegation of MMARS Document Processing Authority (Contracts) http://knowledgecenter.CTR.state.ma.us/KC/Policies_Procedures/PoliciesProcedures.asp?tid=Policies/Procedures&sid=Contracts&dType=Policy

MMARS Document	Delegation Limit for Total Duration of the Document
PC Commodities	$100,000
CT Services	$500,000
RPO Ready/Recurring Services/Leases	$500,000
GAE/INP Incidental Purchases	$5,000

MMARS document processing delegation is limited only to document processing in MMARS. It does not change the underlying procurement or contracting requirements. Even though departments will be able to process MMARS documents without secondary review by CTR/OSD, they are still responsible for procuring and contracting in accordance with applicable state finance and procurement laws, regulations and policies. The Quality Assurance team will monitor and assist departments to ensure compliance.

For further information, see the CTR's Knowledge Center, Policies and Procedures, under Contracts. The section is entitled Delegation of MMARS Document Processing Authority and Quality Assurance.

CLOSING

Introduction

This section provides detailed guidance on finalizing year-end encumbrances. Departments should read these instructions thoroughly to minimize unnecessary delays and issues with the fiscal year closing.

Encumbrance Contract Management

During the final quarter of the fiscal year, departments should perform a timely review to ensure all FY2006 encumbrances are in place to support departmental needs. Routine encumbering for all appropriation types should be submitted in MMARS by June 15 so that the remainder of FY2006 can be used to handle final adjustments.

Preparation for Contract Roll

Departments should review all multi-year pre-encumbrances and encumbrances to support a successful contract roll. This review should consist of the following:

- Multi-year documents must have at least one commodity line for each budget fiscal year.
- If an existing commodity line spans multiple fiscal years, it should be modified to change the end date to be no greater than 6/30/06 and new commodity lines must be added for each budget fiscal year.
- For the document to be selected in the roll process, the out-year accounting lines must have the correct event type, reserved funding designation and BFY. Here is a chart of the acceptable future year event types for each multi-year document:

Doc Code	**Future Year Event Type**	***Future Year Open order Event type***	**Reserve Funding Flag**	**Budget Fiscal Year (BFY)**	**Fiscal Year (FY)**
RQS	PR50	NA	Yes	>2006	2005 or 2006
CT	PR08	PR56	Yes	>2006	2005 or 2006
RPO	PR08	NA	Yes	>2006	2005 or 2006
PC	PR08	NA	Yes	>2006	2005 or 2006

Reserved funding designation should be set to **YES** on all future year accounting lines. The BFY field should reflect the future budget fiscal year in which the funds are to be expended. Fiscal Year should be 2005 if future year was set up on the document during FY05 or 2006 if future year was set up on document during FY2006.

The contract roll is being planned for June 3rd thus the above must be done prior to that time in order to be eligible for the roll. If an existing encumbrance is modified to add FY2007 **after** the contract roll, here is a chart of the acceptable way to complete the event type, reserved funding field, BFY, and FY:

Doc Code	**Current Year Event Type**	***Current Year Open order Event Type***	**Reserve Funding Flag**	**Budget Fiscal Year (BFY)**	**Fiscal Year (FY)**
RQS	PR20	NA	No	2007	2007
CT	PR05	PR51	No	2007	2007
RPO	PR05	NA	No	2007	2007
PC	PR05	NA	No	2007	2007

May 31 Encumbrance Deadline

Effective Thursday, June 1, 2006, the transactions listed below, from the departments whose three-letter codes are listed below, should not be submitted in MMARS prior to receiving approval from ANF, **if they total $25,000 or more in a budgetary account** (appropriation types 1CN, 1CS, 1RN, 1RS, 1IN, and 1IS). Transactions that total less than $25,000, are in capital, federal or trust accounts (appropriation types 2CN, 3TN, 3TX or 4FN), or are submitted by departments other than those listed below do not require ANF approval in June. (Appropriation type is identified on each account's record on the MMARS APPR table.)

CT	Contract Transaction
GAE	General Accounting Encumbrance
PC	Commodity Purchase Order
PH	Payroll Hold
RPO	Recurring Payment Order

AGR
ALA
ANF
ATB
BCA
BLC
BSB
CAD
CDA
CHE
CHS
CJT
CME
CSC
DCC
DCP
DCR
DFS
DIA
DMA
DMH
DMR
DOB
DOC
DOE
DOI
DOL
DOR
DOS
DPH
DPS
DPU
DPW
DSS
DYS
EEC
EED
EHS
ELD
ENE
ENV
EOL
EPS
EQA
EQE
FWE
GIC
HCF
HLY
HRD
ITD
JLM
LIB
LRC
MAC
MCB
MCD
MIL
MRB
MRC
OCD
OHA
OSC
OSD
PAR
POL
REG
RMV
SCA
SEA
SOR
SRC
TRP
VET
WEL

In rare instances, unforeseeable circumstances may require some encumbrances and encumbrance modifications to be processed during June. Every reasonable effort must be made to avoid this. Departments should not expect any discretionary encumbrance transactions involving increases of $25,000 or more in budgeted fund accounts to be approved in June.

The Budget Director will issue specific guidance on the process for requesting ANF's approval of late transactions using budgeted fund accounts. (http://www.anf.state.ma.us/). Exceptions to the May 31st deadline are expected to be very limited. Departments are strongly advised to manage their work now to meet the May 31, 2006 deadline.

Late Encumbrance Processing

Departments should review their financial status to ensure that there will be sufficient funding encumbered to cover all commitments incurred during the fiscal year.

CTR (OSD for the PC) will accommodate late encumbrances due to unforeseen circumstances on a limited basis. Late encumbrances may include CT, RPO, IE, PH, GAE and PC documents. As in previous years, between 7/1 and 9/15 ALL late encumbrances will workflow to CTR (OSD for the PC). Documentation for these requests for CT, RPO, and GAE documents will require:

a. submission of the standard contract or standard contract amendment package, if applicable;
b. contract transmittal sheet http://knowledgecenter.osc.state.ma.us/KC/Forms/Contracts/CTR_Encumbrance.doc;
c. data entry in the following fields on the encumbrance Accounting Line(s): BFY: 2006 FY 2006 Accounting Period 13;
d. letter on department letterhead addressed to Michael Weld Eyob, Accounts Payable Bureau Director, and signed by the department's CFO explaining the reason(s) for the late encumbrance.
e. These requests should be submitted to Sue Patts-Nagy.

Note:

- The PC document workflows to OSD and should be addressed to Elaine LaMonica when the document total is less than $100,000 and addressed to the applicable Procurement Team Leader when the document total is $100,000 or greater.
- The IE will workflow to CTR Accounts Payable Bureau/Payee and Payments Unit.
- The PH will workflow to CTR Payroll Bureau.
- Letter **c** above also applies to the IE and PH and the applicable paperwork must be submitted to trigger review and processing.

Net Zero Dollar Adjustment Encumbrances

CTR will accommodate net zero dollar late encumbrances within the same object class throughout accounts payable. These late encumbrance requests will require an e-mail to the CTR Contracts and Tax Unit(Susan.Patts-Nagy@CTR.state.ma.us **)** noting the document IDs and the reason to move dollars encumbered from one object code to another within the same object class.

Encumbrance Correction
The deadline for FY2006 CEC and GAEC documents that reference an ER document is July 5th and coincides with the deadline for the FY2006 ER document.

Zero dollar FY2006 CEC or GAEC document to reopen an inadvertently closed encumbrance will be accepted throughout accounts payable.

OPENING

Encumbrance Management Opening

This section addresses encumbrance processing in FY2007 Opening. The CTR Knowledge Center provides policies and procedures and should be consulted for routine questions. Oversight or departmental defined Chart of Accounts is the foundation of the financial management system. The Chart of Accounts must be established prior to any FY2007 budget decisions. Departments opting to use departmental budgets must ensure that all are in place before any activity occurs. Please refer to Section Three (Opening) of this book for additional guidance on Chart of Accounts.

Retained Revenue Accounts

ANF will establish an estimated receipt ceiling via a BGCN or BGCS document in accordance with the GAA or an Interim Budget. This action updates the budgetary estimated receipts in the following inquiry screens: BQ81 (subsidiarized) and BQ89 (non-subsidiarized). This eliminates the need for individual document override requests to CTR. The establishment of estimated receipts is valid for FY2007. At any time during the fiscal year, if departments have reason to believe that actual collections will fall short of their initial projections, they must immediately notify ANF in writing.

Trust Accounts

Departments must enter the applicable BGCN or BGCS into MMARS and submit a letter to the CTR's Accounting Unit on department letterhead, signed by an authorized signatory, stating the projected fiscal year total receipts for each trust account. Requests will be reviewed by CTR. When the request is approved, CTR will process the department entered BGCN or BGCS to final status. This action updates the budgetary estimated receipts in the following inquiry screens: BQ81 (subsidiarized) and BQ89 (non-subsidiarized). This eliminates the need for individual document override requests to be made to CTR. The establishment of estimated receipts is valid for FY2007. At any time during the fiscal year, if departments have reason to believe that actual collections will fall short of their initial projections, they must immediately notify the CTR's Accounting Unit in writing.

Contract Roll

The contract roll will occur on June 3rd and will impact RQS, RPO, CT and PC documents. In preparation for the roll, encumbrance processing suspension will be in effect June 1-2 Departments will not be able to enter, edit, validate, or submit RQS, RPO, PC, CT documents until Monday June 5th. The Contracts Unit will approve all pending documents by Friday June 2nd as long as the paperwork has been forwarded to CTR for RPOs and CTs.

OSD will do the same with PCs (attempt to approve all PCs in house with documentation) before the contract roll occurs. Pending documents will be rejected back to the department if the paperwork is not received in time.

It will not be necessary to purge all RQS, RPO, PC and CT documents from the doc catalog that are not in final status. FY2006 encumbrances will continue to be processed and submitted until June 30. **Please do submit them as soon as possible to avoid a June 30 crunch.**

We will update you after the roll of any issues you need to be aware of because of the roll.
The contract roll process itself does the following:

1. Modifies the FY2007 accounting line event type from PR50 to PR20 (RQS), PR08 to PR05 (CT, RPO, PC) or PR56 to PR51 (Open order CT, RPO, PC);
2. Increments the fiscal year field on the FY2007 accounting line from FY2006 to FY2007; and
3. Modifies the reserved funding designation on the FY2007 accounting line to "no" so that the funds will be available to make payments.

> The document ID will remain the same throughout the life of the encumbrance. The contract roll is a modification to the original document.

Open Activity Roll – Capital, Trust and Federal Funds only

The open activity roll will occur in early September and will impact the unspent balance of the FY2006 lines on the RQS, CT and PC documents in **capital, trust and federal funds only.** The open activity roll process (1) changes the budget fiscal year on the FY2006 line to FY2007, (2) keeps the accounting event type, and (3) keeps the original dates of service on the commodity line. This process occurs by two contract modifications. The first modification unencumbers unspent funds in FY2006 and the second modification encumbers these funds in FY2007. Note: These modifications occur to the same accounting line. The *Referenced Line Amount* will retain the FY2006 expenditures.

The department must move the unspent dollars from the FY2006 line to the FY2007 line.

For example:

I. Decrease FY2006 Accounting Line and Increase FY2007 Accounting Line
The department modifies the contract to decrease the unspent dollars on the FY2006 line and increase the FY2007 line.

Other Workflow Item To Be Aware Of 7/1-9/15

Modifications (increases or decreases) to FY2006 or beyond accounting lines for the CT, RPO, or PC encumbrance documents require the existing FY2006 accounting line(s) to have:

- The FY (enter 2006) and Period (enter 13) completed even when the FY2006 lines are not being modified. NOTE: These fields are blank when you first create the modification but must be completed.

- If these fields are left blank, the document will default to the Period that is currently open for FY2007 (typically Period 1). The hard error message will be “this posting is not allowed by BFY Profile B, Stage (A2079).

Based on FY2006 late encumbrance workflow rules, these modifications (as described in the two bullets above, specifically the FY2006 portion), even if within a department’s delegation limit, will go to Pend status and workflow to CTR worklist or OSD for the PC.

To trigger the CTR Contracts Unit or OSD to process those that are within encumbrance delegation limits, please e-mail Susan Patts-Nagy at CTR, and Elaine LaMonica at OSD for the PC. The e-mail **must** include:

- A statement that the FY2006 portion of the document(s) are not being modified;

- What is the purpose of the modification(s);

- The document type(s) and document identification number(s).

If greater than the delegation limit ($500,000 or > for CT and RPO and $100,000 or > for the PC), the applicable paperwork must be submitted to CTR for review and processing or OSD for the PC as is the usual process.

Tax-Exempt Lease Purchases, Term Leases, and Rentals (Recurring Payments)

The guidance and policy regarding Tax-Exempt Lease Purchasing (TELP) (Object Codes L02-L12, N62 and U08); Term Leases, and Rentals (Object Codes L21-L32, N63, and U09) are discussed in the following available resources:

- Expenditure Classification Handbook http://www.state.ma.us/osc/Homeview/OpenClose/ExpendDetail.html
- MMARS Policies “Fixed Assets-Acquisition Policy” http://knowledgecenter.osc.state.ma.us/KC/Policies_Procedures/Policies/Fixed_Assets/FA_Acquis_Policy_2004_01.doc and "Fixed Assets Accounting and Management Policy http://knowledgecenter.osc.state.ma.us/KC/Policies_Procedures/Policies/Fixed_Assets/FA_Acctg_Mangt_Policy_2004_01.doc
- Operational Services Division (OSD) Tax-Exempt Lease Purchase Financing Handbook and http://www.comm-pass.com. (Search for “PRF17” under Contracts. TELP Handbook is under “Terms/Forms”).
- MMARS Policy "Commonwealth Bill Paying Policy and General Payment Policies", Recurring Payments section on page 11 http://knowledgecenter.osc.state.ma.us/KC/Policies_Procedures/Policies/Accounts_Payable/AP_Bill_Paying_Gen_Pay_2004_01.doc

Encumbrance documents for TELPs and leases must be supported by a contract. Recurring payment leases such as space leases (G01 object code), TELP leases (L02-L12, N62 and U08 object codes), and any capital or operating lease (L22-L32, N63 and U09 object codes) that have a duration greater than 12 months (in length) must be encumbered using the RPO document under one of the applicable MMARS standard recurring payment schedules. Further, capital leases must include the sub object code CAP.

Note: (1) Contracts must reference established recurring table schedules; however, there are some instances where departments may need to negotiate a specific recurring payment for a specific contract/lease. If so, please contact CTR's Payee & Payments Unit for any additional recurring payment table requests. (2) It is essential that the department's TELP and leases are recorded in MMARS in accordance with the procurement and fixed asset policies because these documents are subject to audit. (3) Each TELP or lease should have a separate RPO document.

Individual Contractors

Departments hiring "Individual Contractors" as either "contract employees" or "independent contractors" are required to comply with the policy "Individual Contractors - Independent Contractors or Contract Employees?" http://www.mass.gov/Aosd/docs/pic/contractemployee.doc.

A department does not always know in advance whether services can be best performed by an individual contractor or by a company or firm. Therefore, whenever services are being performed, the department should apply the Commonwealth Three-Part Test to the Business Needs by completing the **Employment Status Form.**

If the scope of performance determined that this is an employee/employer relationship, the department may hire an individual as a contract employee through its regular recruitment process for other employees. The vehicle used for payment must be either HR/CMS or e*mpac. For contract employees, the Commonwealth Terms and Conditions and the Standard Contract Form must be executed. To confirm the employment status when a contract is signed with an individual contractor selected from either an RFR (independent contractor) or posting (contract employee), attach a completed Employment Status Form to the Standard Contract Form.

The Attorney General's Office may impose penalties if the three-part test shows that an individual should be a contract employee and the individual was misclassified as an independent contractor.

If the test determines that the individual falls into the Independent Contractor category, the department must use an existing statewide contract. If there is no statewide contract, the department may:

1) Use an incidental purchase if the total value of the services for the duration of the need is $5,000 or less,
2) Conduct an RFR/procurement if value of the services for the duration of the need exceeds $5,000.

Exception: Object Codes H09 and N03 for legal services require prior approval of the Governor's Chief Legal Counsel prior to selection under MGL c. 30, s.65 and 801 CMR 21.01(2)(b) and prior AGO approval. Requires secretariat sign-off for amounts over $1,000. Independent Contractors must be paid through the State Accounting System (MMARS).

Section Seven
Interdepartmental Business (ISAs and Chargebacks)

Section Introduction

An ISA is a contract between two state departments that fulfills the legislative mandates of both departments. ISAs are used when contracting with another state department provides a "better value" than contracting with an outside vendor. The contract enables multiple departments to jointly fulfill the same or similar legislative mandates. Departments are responsible for adhering to the Policy on Interdepartmental Service Agreements (ISAs) in the Knowledge Center under Contracts at http://knowledgecenter.osc.state.ma.us/KC/Policies_Procedures/PoliciesProcedures.asp?tid=Policies/Procedures&sid=Procurement/Contracts&dType=Policy .

The policy chapter "Contracts-Interdepartmental Service Agreements" provides instructions and forms for ISAs and ISA amendments. It also discusses the 815 CMR 6.00 regulation, which provides the rules and procedures for conducting interdepartmental fiscal business, including ISAs, which require a transfer of funds between two departments.

Most ISAs are set up annually on a state fiscal year basis; however, ISAs should have a duration that makes sense from a business perspective. For example, multi-year ISAs are encouraged if they best support the business process. Similar to other types of contracts, all ISAs are subject to appropriation and/or the availability of funding.

Fiscal year opening for processing ISAs by appropriation type can start as outlined below.

- For Budgetary Funds 1CN and 1CS, parent departments may start processing ISAs as soon as MMARS is open for FY2007 business. ISAs may be processed based on provisional numbers in House 1; however, allotments will be made after the GAA is loaded.
- For Budgetary Funds 1IN, 1IS, 1RN and 1RS, parent departments may start processing ISAs when MMARS is open for FY2007 business and the value of the ISA does not exceed the uncommitted estimated receipt in the parent line.
- For Capital Funds (2CN), departments may start processing as soon as the Obligation Ceiling of the parent account has been established on the FY2007 budget line. Spending for all capital accounts, including child lines, will be controlled by the capital budget structure so each line should be fully allotted in the central budget structures.
- For Trust Funds (3TN, 3TX), parent departments may start processing ISAs when MMARS is open for FY2007 business and the value of the ISA does not exceed the uncommitted estimated receipt in the parent line.
- For Federal Funds (4FN), departments may start processing as soon as the budgetary estimated receipts have been established in the FY2007 budget line.

For **new** or **single year** ISAs that are being renewed, departments should submit the appropriate ISA or ISA renewal package to CTR's Contracts Unit for review and approval no later than June 1st to ensure processing in time for the first FY2007 payroll run and contract encumbrances with July 1st effective dates. Parent departments will be required to enter the applicable budget document (BGCN for non-subsidiarized or BGCS for subsidiarized) into MMARS. The budget documents will automatically workflow to the CTR Contracts Unit. When the backup documentation is received and confirmed, CTR will process the budget document to final status.

Child Budget Line Roll for FY2007 (Existing Multi Year ISAs)

- If the parent budget line is valid in FY2007 and the child budget line is supported by a valid multi-year ISA on file with CTR, those lines will roll into FY2007 based on CTR Contracts Unit supplying ANF with a listing of child budget line that should roll as "Active" into FY2007.
- The above roll will create $0 budget lines for the child, which sets the stage for:
  (1) processing of the applicable BGCN or BGCS with the FY2007 amount that matches the latest version of the multi year ISA that is on file at CTR. **NOTE: Additional information and guidance will be provided shortly on what the process will be to accomplish this.**
  (2) for capital and trust account funded child budget lines, the line will be in place for the automated balance forward when it starts near the end of July.
- Child budget lines that are supported by an ISA that expires 6/30/06 or before will not be rolled
- A parent department that determines that a child budget line should have rolled but did not, should contact CTR's Contracts Unit (Susan.Patts-Nagy@state.ma.us)

Reminder: A seller (child) department will be assigned only one budget line per appropriation. If the seller (child) department has multiple ISAs with the same buyer (parent) that are all funded by the same account, the total dollars for all ISAs will be shown on a single child budget line. The seller (child) will be required to properly account for expenditures in accordance with the terms and funding specifications for each individual ISA. Establishing departmental budgets for each ISA within the child budget is one mechanism available to account for funding multiple ISAs from the same parent account.

ISAs Funded with Federal Funds – Indirect Costs Must be Negotiated as Part of ISA Budget
Expenditures in a child account may trigger indirect costs. Both the parent and child department are responsible for negotiating the type of expenditures authorized under an ISA and determining if the expenditures will trigger the assessment of indirect costs. These costs must be included as part of the ISA and funded as part of the ISA budget. Departments requiring information on whether an expenditure will trigger an indirect cost assessment should contact the Revenue Bureau at CTR.

Child Budget Line Activity
The chart below outlines what happens to uncommitted dollars remaining in child budget lines at the end of FY2006 Accounts Payable for both single and multi-year ISAs.

	Budgetary (1CN, 1CS, 1IN, 1RN, 1RS)	**Capital and Trust (2CN, 3TN, 3TX)**	**Federal (4FN)**
Single Fiscal Year	Uncommitted balances in child budget lines will not be returned to the parent account unless the parent has Prior Appropriation Continued (PAC) authorization. With this one exception, all unspent balances in budgetary child budget lines will lapse.	CTR will return uncommitted balances in child budget lines to the parent line at the end of the FY2006 accounts payable period.	Uncommitted estimated receipt balances do not balance forward; therefore, no adjustment is required. In the unlikely event that an unexpended balance remains in the child budget lines, CTR will move the cash to the parent line and adjust any future cash draws accordingly.
Multi Fiscal Year	Uncommitted balances in child budget lines will be reverted to the parent line at the end of the fiscal year unless the parent has a PAC authorization. It is the responsibility of the parent department to determine how the PAC authorization should be distributed between the parent and child budget lines and to contact CTR's Accounting Bureau.	Uncommitted balances will balance forward.	Uncommitted estimated receipt balances will not balance forward; therefore, a new BGCN document is required. In the unlikely event that an unexpended balance remains in the child budget line, the cash will be brought forward to the child budget line.

Interdepartmental Chargebacks – Internal Vendor Code
Interdepartmental Chargebacks are fee-based charges for statutorily authorized commodities and services which are available to State Departments on an *ad hoc* request basis, a *public fee* basis, or *statewide* chargeback basis. Departments must have specific legislative authorization to conduct chargebacks.

Departments that were set up for FY2006 as authorized chargeback departments with an Internal Vendor Code and a designated revenue source code DO NOT have to reapply for chargeback status for FY2007. Once approved, all chargebacks will remain active until legislative authorization for the chargeback ceases. IE's may be processed starting July 1st or as soon as House 1 has been loaded.

- To ensure that sufficient funds are set aside by Buyers to support the cost of CHBK performance, Sellers MUST issue IEs for the total anticipated value of the performance for the full period of the need (e.g., fiscal year, monthly, weekly, one-time need).

- Sellers that provide on-going services on a fiscal year basis must submit IEs at the beginning of the fiscal year (starting July 1st or as soon as House 1 is loaded) for anticipated costs for the full fiscal year, and may not submit IEs quarterly or bi-annually for this performance.

Chargeback departments are required to submit IEs to Buyer Departments PRIOR to providing chargeback goods or services based upon estimated costs. Sellers must then NOTIFY Buyer Departments by email, phone or fax with the IE DOC ID informing the Buyer that they are required to retrieve the ITI and complete the accounting line information within 30 days. The same process of entry and notification will repeat for the Internal Payment process. Please refer to Job Aids under Internal Business for additional guidance.

- Seller Departments MAY NOT provide chargeback performance unless an IE sufficient to cover the performance is encumbered in MMARS to support the performance.

- Buyer Departments MAY NOT request or accept chargeback performance for which the Buyer does not have, or anticipates that it will not have, sufficient funds to encumber an IE for the performance.

All authorized Seller/CHBK departments will be assigned an Internal alpha Vendor Code that appears as follows:

1. The first four letters "ISELL"
2. The next letter will indicate the legal basis for the chargeback:
   "B" (budgetary), "S" (statutory) or "A" for (administrative)
3. The next three letters identify the service identifier (example: bureau of Computer Services charges will be "BCS"
4. The last three letters identify the authorized Seller Department.

Departments not currently authorized for Chargebacks must apply for an Internal Vendor Code. The Chargeback Department Authorization Form is available in the "Forms" section under "Accounts Payable" in the Knowledge Center and must include the following:

1. Descriptive name of the authorized chargeback.
2. Legal citations AND the actual statutory or legislative language authorizing the chargeback. The language must be explicit. Inferred charges will not be authorized. Budgetary authorization must appear in both the House and Senate versions of the budget or in the final GAA to support the application.
3. A breakdown of the specific charges or the methodology for calculating the charges to a department. The charges or methodology must be detailed and capable of being verified against the actual charges to chargeback departments. Chargeback departments may not charge more than what is authorized in statute or regulation or, if no restriction is identified, no more than the actual costs for providing chargeback services.

Chargeback Department Authorization Forms must be sent in paper or electronically to the CTR Legal Bureau for review. ATTN: Jenny.hedderman@osc.state.ma.us or fax number 617-973-2555 or 9th Floor One Ashburton Place, Boston MA 02108.

Intergovernmental Encumbrances (IE)
Reports from Seller Departments indicate that all IEs have been issued. Therefore, user departments must finalize IEs by mid-June.

Interdepartmental Voucher (ITA)
All FY Closing ITAs entered between July 1st and August 31st will require Fiscal year 2006 equal to Budget Fiscal year 2006 and period on the accounting line.

Section Eight
Accounts Payable Management

Section Introduction

This section highlights the management of expenditures during the FY2006 Closing and FY2007 Opening processes. State Finance Law requires that annual appropriations may be expended only for expenses for the same fiscal year. (See M.G.L. c.29, §12.) Goods and services to be paid for with current fiscal year appropriations must be received and accepted within that same fiscal year (July 1-June 30) (see M.G.L. c. 4, §7). Also, you will find detailed information and procedures regarding the closing of Dynacash accounts. The CTR Knowledge Center provides information access to policies and procedures and should be consulted for routine questions.

CLOSING

Payment Request

Under no circumstances should FY2006 funds be used for FY2007 expenditures or vice-versa, unless specifically allowed with appropriate legislative language. The system will automatically reject Payment Requests entered after June 1st that do not reference an encumbrance. Departments should confirm with vendors that all goods and services are to be received or completed by June 30th. If a product acceptance period is required, it must conclude prior to August 31st.

Processing Payment Requests

Accounts payable 2006 payment request documents: PRC, GAX, INP transactions in the document catalog that are not in FINAL status overnight on June 30th may reject on July 3rd with a variety of error messages and must be corrected.

- During the accounts payable period the fields - Fiscal Year, Budget Fiscal Year, and Accounting Period **-** must be completed for all payment requests**.**

Coding Payment Request During Accounts Payable Period

Payment made on July 1, 2006 and after:

	Budget FY	Header Fiscal Year	Period	Budget FY	Line Fiscal Year	Period
FY2006 Payment Requests	2006	2006	13	let default	blank	blank
FY2007 Payment Requests	2007	2007	1	let default	blank	blank

Budget FY and Fiscal year are not required fields, but should be entered on the Header. If entered on header, the posting will infer to the accounting line. The accounting line will not show Fiscal Year and Period, but the posting code will.

Inputs to the line, will take precedence over what is entered on the header. I.e.: If you put period 1 on the header and period 4 on the line, the posting code will show period 4.

Final Payment Request on Hold

All FY2006 payment requests in Final status and on hold on DISRQ must be out of hold status by August 30th. There are two where the documents can be handled:

1. If the vendor is due the payment, release the payment from hold and allow it to disburse.
2. If the vendor is NOT due the payment, choices are:
   A: If no lines on the payment document have disbursed discard the payment (cancel it).
   B: If lines have disbursed the document cannot be cancelled; modify the open lines(s) to zero.

For instructions on how to identify final payments on hold, go to (DISRQ User Hold Lookup)
These payment document codes include: GAX, GXM, GX9, INP, PRC, PRM, PRN and RA.

Accounts Payable and Extension Period

The FY2006 accounts payable period closes on August 31, 2006. After that date, departments will not be able to make payments against FY2006 encumbrances. The Office of the Comptroller plans to lapse all remaining FY2006 encumbrance balances following the conclusion of business on August 31st. The August 31st encumbrance lapse applies to encumbrances in accounts in all appropriation types, in continuing as well as non-continuing accounts. To the extent that a department's necessary FY2006 payments have not yet been finalized, your staff must obtain, validate, and pay any outstanding FY2006 bills.

A department that is unable for certain reasons to conclude essential FY2006 accounts payable business by August 31st may request ANF to approve an extension of specific encumbrances until September 15, 2006, via ANF's Platform program. Specific instructions, including acceptable circumstances for making such a request, will be issued separately by ANF in August and will be posted at http://www.anf.state.ma.us. Due to financial reporting deadlines, encumbrances in continuing accounts cannot be extended.

Late Submission of Invoices – Liquidation of Payment

A vendor's failure to submit an acceptable invoice even for perfectly valid FY2006 goods or services in time for payment by August 31st is not sufficient justification for an encumbrance extension.

In rare circumstances, a vendor may fail to submit an invoice for goods and services (performance) that have been delivered prior to June 30, 2006 and have been accepted by the Department as contract compliant. It is presumed that as part of fiscal year closing activities the Department has internally verified receipt and acceptance and the value of the performance delivered on or before June 30, 2006 in accordance with the contract terms, in preparation for verifying invoices once received. Departments should make every effort to notify vendors of outstanding invoices and the value of the performance provided by the vendor that has been verified by the Department. If it appears that a Department may not receive invoices by August 11, 2006, the Department should fax a written notice to the vendor(s) that if the vendor fails to submit an invoice by August 18th confirming outstanding obligations for performance delivered on or before June 30, 2006, that a payment in the amount of $[amount certified by Department] will be scheduled for payment on August 25th which represents full satisfaction of outstanding amounts owed, to ensure that funds appropriated and encumbered in fiscal year 2006 for the performance delivered does not revert at the end of the accounts payable period on August 31, 2006, thereby becoming unavailable for expenditure. If amounts are disputed, then the Department should make a partial payment at the level certified by the Department and identify any remaining amounts in the encumbrance for APEN. Additional contested amounts, which cannot be paid prior to September 15th through the APEN process, would default to the prior year deficiency process for non-continuing accounts.

Note that departments receiving appropriations in FY2006 final supplemental budget must work to encumber and expend those funds by August 31st. Any exceptions to this must follow the normal extension request process outlined in this memo.

FY2006 accounts payable encumbrances are valid only for services rendered or goods delivered on or before June 30, 2006. Completion of services or delivery of goods after this date means that those services or goods are valid FY2007 obligations and should be handled instead through FY2006 prior year deficiency.

A department that has routine FY2006 invoicing that simply cannot be completed in time should make use of the Comptroller's "prior year deficiency" process.

Recurring Payments

Ready Payment schedules have been established to support system-produced transactions throughout the accounts payable period.

The Settlement period is the final yearly period on each recurring schedule and is to be used for the close out reconciliation.

It is important to note that any PRN that has been generated must be fully recovered by close of business June 30, 2006.

Request for Advance (RA), Expenditure of Advance (EA), Advance Refund (AR)

The department must account for all FY2006 advances before any FY2007 advance will be processed. In most cases, the target date is July 5th but no later than August 31st. This accounting is performed through documentation of the expenditure of the advance (EA) or cash repayment of any balance remaining by processing an advance refund (AR).

From July 1st until August 31st, if an EA transaction references a prior year encumbrance, you must enter the appropriate accounting period for FY2006.

Closing Advances

To close the type 05 (DYNACASH) FY2006, the following steps must be taken:

1. The department deposits a check into its sweep account.
2. The department prepares an AR and submits the AR to a FINAL status. When viewed on the document catalog, the amount should be $0.00 reflecting that this is a net zero payment. Refer to the AR Job Aid for details on document completion.

Departments with Emergency Payroll Dynacash Accounts

This subsection pertains to Dynacash accounts used for emergency payroll payments at fiscal year end. All departments must account for FY2006 advances prior to FY2007 advance requests. We recognize that there is a timing issue for Dynacash accounts and related advance processing at fiscal year end when there have been emergency payments issued.

If there is a need to issue an emergency payroll check from a department's Dynacash account for the payroll period May 28th – June 10th (checks dated June 16th), then the recoupment of the Dynacash amount in the following payroll cycle, June 11th – 24th will be credited back to the department's Dynacash account on June 30th.

If there is an employee check problem during the June 11th - June 24th cycle, departments will need to issue a Dynacash check on June 30th. This payment must be issued from an FY2006 advance. FY2007 requests for advance (RA) may be entered into MMARS during June in a reject status. E-mail request to the Payment Unit (See http://www.mass.gov/CTR/Staffinfo/ContactList.html) to support immediate activation of FY2006 advance should be forwarded to CTR by June 30th. Funds will be available July 3rd for approved requests and the transactions will then be processed on July 3rd or July 5th.

A few departments will have FY2007 requests for July 14th payroll checks pending before the return of the FY2006 advance. In those cases, the request for the FY2007 advance must be accompanied by the CFO's verification that a Dynacash deduction is pending for a June 30th credit.

Expenditure Corrections (EX/ PRADJ)

EX and PRADJ documents to correct closing year activity should be submitted no later than the close of the accounts payable period. EXs and required PRADJ, with proper documentation, should be submitted to the General Accounting Bureau at CTR. Expenditure corrections for FY2006 entered after August 31, 2006 will not be processed. PRADJ/LARQ reminder: departments should allow for LARQ overnight processing and plan accordingly.

Prior Year Deficiencies

Completed requests to pay prior year deficiencies out of FY2006 funds must be submitted to the Comptroller's Office, Accounts Payable Bureau, no later than June 15, 2006.

OPENING

Payment Request

From July 1, 2006 through September 15, 2006 all Payment Requests documents must have the identifying FY and BFY fields filled out with the appropriate information on all headers. For FY 2006 payments, the header should be set up as FY2006, BFY2006 and for FY2007 should be set up as FY2007 and BFY2007 with the appropriate accounting period.

Advances

Emergency Advance accounts are recommended in all departments. No requests for advances will be approved for FY2007 until all FY2006 advances are properly accounted for. There may be a few departments that will have FY opening requests for June 30th payroll checks pending before the return of the FY closing advance. In those cases, the request for the FY opening advance must be accompanied by the CFO's verification that a DYNACASH deduction is pending for a June 30th credit

Vendor Communications - Invoice Number and Payment Remittance Information

The Vendor Invoice Number is the primary communication vehicle on the remittance advice (both electronic and paper). This number is 30 characters and must be unique for each payment made to a payee/customer. As part of a Department's opening activities, it is encouraged to review procedures for establishing Vendor Invoice Numbers. Where possible, vendors should be consulted prior to a change in the basic data or format of the vendor invoice number (payment reference number).

Two standard lines of vendor invoice related data appear on the remittance advice or EFT file. Line 1 includes the Vendor Invoice Number, the Document ID of the payment request, and the department telephone number, which is disbursement contact information taken from unit table or, if not established there, from the department table, and amount. Line 2 includes the department location and department name, taken from Unit or Department Table as appropriate. This data appears on both EFT and checks.

Section Nine
Payroll/LCM Management

Section Introduction

This section provides detailed guidance on finalizing year-end payroll processing. Departments should read these instructions thoroughly to minimize unnecessary delays and problems with the fiscal year closing.

Expiring Accounts – Limits On Expenditure Corrections

State Finance Law requires that funding be in place before services or other obligations can be requested or accepted by contract employees or regular employees. Specifically, under M.G.L. c. 29, §26; M.G.L. c. 29, §27; and M.G.L. c. 29, §29 departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) without a sufficient appropriation and allotment.

If accounts are expiring, contracts must be terminated or suspended, personnel must be terminated, or contracts or personnel must be transferred to authorized appropriations. Departments are also reminded that when it certifies expenditure, the department is certifying that the expenditures were properly made from authorized accounts. The Comptroller may not make journal entry (expenditure correction) between accounts if the account ultimately to be charged had insufficient funds at the time the amount was expended from the other account, unless prior notice is sent to HOU and SEN Ways and Means. *See* M.G.L. c. 7A, §3. LARQs and EXs are appropriate only to correct accounting mistakes. LARQs or EXs should not be utilized to transfer expenditures incurred in one account in anticipation of funding in another account. Expenditures for personnel or contract employees that are transferred to other account(s) because an account was not reauthorized, was reauthorized late, or was not established (child account for an ISA) may not retroactively transfer the expenditures incurred in the other accounts to the reauthorized or newly established account. See Expenditure Correction policy in Section 3.

Split Week (Cross FY) Payroll

Split Week for FY2006-FY2007 will span the pay period 6/25 – 7/8 and will be processed on Tuesday July 11th.
Split Week payroll processing will be new business and departments need to understand the change in budgeting, position accounts, and account payable payrolls. The changes to split processing include the following:

- Current pay period postings will be prorated based on 10 workdays in the period.
- Prior Period Adjustments will charge 100% to prior Fiscal Year.
- ERIP payments will charge 100% to current Fiscal Year.
- See Split week memo for more details regarding distribution percentages and exceptions

Payroll Management

Contractor Payroll Contract Employees

No new HR/CMS positions are needed in HR/CMS for Contract employees continuing employment in new Fiscal Year. Labor costs for all contract employees paid through HR/CMS post to the CC object class.

Employees can not be consultants. M.G.L. c. 29, § 29A applies only to “non-employees” and therefore does not apply to contract employees. The Expenditure Classification Handbook provides object codes for contract employee types.
The contract requirement for having a Commonwealth Terms & Conditions and a valid Standard Contract Form executed by the department and the contract employee remain unchanged. For FY2007 performance, a Standard Contract Form must be executed or renewed no later than June 30, 2006.

Contract employee pay will be subject to the same funds availability controls regular employee payroll; however, funding of regular employees will take priority over contract employee processing. Regular employee payroll will not be held if funds are insufficient to pay contractors.

Rules

Position Authorized Accounting (POAA) Rules

In order for expenditures to be directed from an appropriation different than the HR/CMS position assigned appropriation, Departments must first receive CTR POAA Rule approval prior to establishing the appropriate LCM distribution document.

Rules are Fiscal Year based. In June, CTR will roll all POAA Rules. The POAA roll will expire all current Rules as of 6/30 and create DRAFT rules 7/1 going forward. Departments will need to resubmit approval requests for any Rules continuing 7/1 and thereafter.

Effective July 1, 2006, the Office of the State Comptroller's Payroll Bureau will require Departments submitting LCM POAA rules to follow these guidelines: The CTR/Payroll Bureau will no longer be accepting the LCM Rules Form. Instead, Departments must utilize the ***Document Comment*** functionality within the LCM POAA document located in the secondary navigation panel. The use of this tool will allow effective two way communication and eliminate the use of paper, as well as allowing the workflow of the entire rule process.

All LCM POAA Rule job aids have been updated to reflect this change in procedure.

Note: Alternate Account and Account Specific Edit Rules do not roll; therefore, new LCM rules need to be entered.

Payroll Rejects (PRLIF/PRLDE)

PRLIF/PRLDE transactions are generated when an HR/CMS payroll expense has missing or erroneous data (i.e., incorrect expense budget or a missing program code, etc.).

All FY2006 payroll reject transactions and payroll accounts with negative uncommitted and unexpended balances must be corrected by July 14, 2006. Departments must post payroll rejects to accounting period 12 to ensure that payroll expenditures are recorded in the appropriate fiscal year.

Regular Employee and Contractor Payroll Refunds

Payroll Refunds should be processed immediately. Departments must deposit cash to their sweep accounts and submit the Payroll Refund Receipt Voucher to ensure employee Retirement and Departmental Appropriation balances are updated in a timely manner.
For detailed instructions see Job Aid regarding PRRV.

Payroll Hold Transactions

Accounts Payable payroll refers to payroll expenses (wages) earned on or before the end of the Fiscal Year (June 30th) but paid during the accounts payable period. All Accounts Payable payroll expenditures must be set-aside as encumbrances in MMARS via a Payroll Hold (PH).

Payroll Holds are needed at the Object Code Level for AA, BB, and CC expenditures to support payroll. **If PHs are not processed in time, expenditures will go unfunded and checks will be held.** (All PHs will be workflowed to CTR in order to help ensure proper setup.) Please be sure to set up PH lines with all anticipated object codes.

Departments create and modify all PH documents in MMARS. Departments can modify the PH amount upwards and downwards with the following level of approval from ANF.

- Between the period May 1st to May 31st valid PHs should process without ANF's approval.
- Between June 1st to June 30,th ANF approval is required for PH's processed by Executive Departments where the Appropriation type is all account types and the amount is equal to or greater than $25,000.
- After June 30th, all PHs require ANF's approval.

As payroll adjustments occur, the departments may modify their PH's to adjust encumbered amounts as long as ANF approves the modification.

At the end of the accounts payable period, unspent balances will be lapsed as part of the Comptroller's lapsing program. A deficiency payroll process should handle any Accounts Payable payroll that was not processed during the accounts payable period.

Note: Payroll Hold (PH) in LCM requires that encumbrances be defined at the Object Code level. A PH may require multiple lines to cover all object codes that may charge to a specific appropriation. Departments should not create a new PH for an Appropriation/Object Code combination that was included on a previously submitted Payroll Hold. Departments should modify the original Payroll Hold. See Job Aid – Modify a Payroll Hold (PH).

Accounts Payable Payroll
State Finance Law requires that annual appropriations may be expended only for expenses for the same fiscal year. (See M.G.L. c.29, §12.) This means goods and services to be paid from current fiscal year appropriations must be received and accepted within that same fiscal year (July 1-June 30) (see M.G.L. c. 4, §7).
All payroll expenses processed during Accounts Payable periods must charge a Payroll Hold. Departments are responsible for managing the PHs. See section regarding Payroll Holds.

Departments will have three opportunities to process accounts payable payrolls between July and August for services performed during FY2006. The Splitweek Payperiod is not part of Accounts Payable.

Funded/unfunded activity will appear on the current LCM Predictive Reports. There will not be separate Fiscal Year Reports.

Departments with Emergency Payroll Dynacash Accounts
All departments must account for Fiscal Year advances prior to making any current Fiscal Year advance requests. Dynacash payments must be recorded in the Fiscal Year that corresponds to the Pay Check Pay Date. All HR/CMS paychecks have a Friday Paydate.

To ensure the proper Fiscal Year accounting, the following guidelines have been established:

- If there is a need to issue a Dynacash check for pay period May 28th – June 10th (checks dated June 16), then recoup Dynacash in the following pay period (6/11/06- 6/24/06) and credit back to the department's Dynacash account on June 30th .
- If there is a need to issue a Dynacash check for pay period June 11th - June 24th (checks dated June 30th), this payment must be issued from an FY2006 Dynacash account. FY2007 requests for advance (RA) may be entered into MMARS during June in a reject status. Documentation should be forwarded to CTR and processed on July 1st. Please e-mail Payment Unit (See www.mass.gov/CTR/Staffinfo/ContactList.html.) with any emergency requests.
- Departments with pending FY2006 Accounts and FY2007 emergency requests must submit with CFO's verification that a Dynacash deduction is pending for a June 30th credit.

Dynacash cannot be used to pay unfunded payroll expenditures.

OPENING

Payroll Processing
For budgeted funds, intergovernmental and federal grant accounts, provisional obligation ceilings will be loaded in MMARS in May. Employee payroll will be processed and payments will be issued in accordance with the approved interim budget. Special processing is not required if your FY2007 payroll appropriation was part of the House 1 load. ANF and CTR will work with departments to address any situation where timely extension of expiring accounts does not occur and the FY2007 payroll account does not exist in MMARS.

After the FY2007 General Appropriation Act (GAA) has been loaded, departments must reconcile the accounting discrepancies resulting from the fiscal year transition period. CTR, HRD, ITD and ANF staff will be available to assist departments on account structuring, position scheduling, and other changes after Governor approval.

Reminder: Departments should familiarize themselves with the Split Week Section of this document.

Object Code Reclassification

Effective July 1, 2006 the following object codes will be consolidated. This will not impact the earnings codes departments enter in HR/CMS, as they will be remapped to the consolidated object code in LCM. LCM will continue to maintain the detail data required for financial reporting needs.

Object Codes A02, A03, A04 & A05 will merge to A01.
Object Codes B01, BB1, and B1B will merge to B01.
Object Codes B04 & BB4 will merge to B04
Object Codes B05 & B06 will merge to B05.
There are no changes to Object Class CC.

Payroll Accounting

HR/CMS Processing

Assigning Accounts to Positions is an HR/CMS human resource function and must be managed in accordance with the new Fiscal Year's GAA. Expiring accounts that are assigned to positions must be transferred by July 1 otherwise departments risk funding issues.

Note: Consolidating departments or departments with major account restructuring should contact CTR and HRD to arrange for mass automated position transfers and related security changes

Split Week

Split Week payroll processing will be consistent with last year's practice, and departments should familiarize themselves with them.

Determination of Employee Work Status - Contract Employee Vs. Independent Contractors – Posting or Procurement?
NEW REQUIREMENTS as of November 2005

Departments hiring "Individual Contractors" as either "contract employees" or "independent contractors" are required to comply with the policy "Individual Contractors - Independent Contractors or Contract Employees?" http://www.mass.gov/Aosd/docs/pic/contractemployee.doc.

A department does not always know in advance whether services can be best performed by an individual contractor or by a company or firm. Therefore, whenever services are being performed, the department should apply the Commonwealth Three-Part Test to the Business Needs by completing the ***Employment Status Form*****.**

If the scope of performance determined that this is an employee/employer relationship, the department may hire an individual as a contract employee through its regular recruitment process for other employees. The vehicle used for payment must be either HR/CMS or e*mpac. For contract employees, the Commonwealth Terms and Conditions and the Standard Contract Form must be executed. To confirm the employment status when a contract is signed with an individual contractor selected from either an RFR (independent contractor) or posting (contract employee), attach a completed **Employment Status Form** to the **Standard Contract Form**.

The Attorney General's Office may impose penalties if the three-part test shows that an individual should be a contract employee, and the individual was misclassified as an independent contractor.

If the test determines that the individual falls into the Independent Contractor category, the department must use an existing statewide contract. If there is no statewide contract, the department may:

3) Use an incidental purchase if the total value of the services for the duration of the need is $5,000 or less,
4) Conduct an RFR/procurement if value of the services for the duration of the need exceeds $5,000.

Exception: Object Codes H09 and N03 for legal services require prior approval of the Governor's Chief Legal Counsel prior to selection under MGL c. 30, s.65 and 801 CMR 21.01(2)(b) and prior AGO approval. Requires secretariat sign-off for amounts over $1,000. Independent Contractor's must be paid through the State Accounting System (MMARS).

LCM Rollovers
In conjunction with new Fiscal Year processing and potential changes in MMARS Chart of Account Elements, certain tables in LCM must be maintained.

Rules table will be rolled automatically and will not be effective as of July 1. When payroll processes for July, these Rules will NOT be considered. Departments must reapply for All Rules.

Other distribution tables will remain effective through the new Fiscal Year and will be considered when payroll processes. Departments are responsible for ensuring these tables are in accordance with any new Fiscal Year COA.

Employee Defaults and Profiles will remain effective through the new Fiscal Year and will be considered when payroll processes. Departments must ensure that employee distributions and profiles are valid. Any new FY COA elements will require new distribution documents effective as of July 1.

POAA and PALT will need to be requested in the new Fiscal Year.
The following Tables will need to be reviewed for new FY processing:

- DEACC and PCREQ

The following Employee Distribution Documents/Tables will need to be reviewed for new FY processing:

- DEPTE, LDPM, EDPM

Note on POAA Roll- CTR will roll all POAA rules that have an Effective Date that would exceed June 30. The automated Roll will create a new POAA document in DRAFT status with a Begin Date of 7/1. Departments will need to reapply for approval in the new Fiscal Year. The former POAA will remain active but will only apply to activity prior to 7/1.

Payroll Certification
All expenditures, including payroll, of the Commonwealth must be authorized in accordance with M.G.L. c. 29, § 20, M.G.L. c. 29, § 31, and M.G.L. c. 7A § 3. Expenditures for payroll are no different than expenditures for goods and services when it comes to the approval process. Pursuant to M.G.L. c. 29 § 31, the comptroller requires certification from each spending authority that each employee receiving a salary under the warrant is being paid for duties performed directly for the employing agency and not for duties performed for another state agency. Expenditures under HR/CMS are paid in arrears based on a centralized time and attendance system, which must be certified by an authorized department head signatory as follows:

> *This payroll has been processed in accordance with the Commonwealth's Payroll Policy, State Finance Law and this department's Internal Control Plan. The amount listed has been certified to the Comptroller through the payroll system for payment. This certifies that time and attendance for each employee is on file in this department and has been approved by the appropriate manager to support amounts paid. This approval and supporting details will remain on file in this department for three years for review by the Office of the Comptroller or other auditing entity.*

MMARS Rollover Validation
Tasks in this section will help ensure HR/CMS, LCM and MMARS rolls have been completed, the data validated and systems are ready to record new FY activity.

	Responsible	**Task**	System	Start	Due
☐	Departments that have Positions tied to non continuing accounts	Identify the employees/positions that must be transferred due to account termination.	HR/CMS	5/2	6/14
☐	EOHHS Departments	Review Activity table for EOHHS requirements	MMARS	5/11	6/2
☐	Departments with Federal Grant Appropriations	Review Major Program table	MMARS	5/11	6/2
☐	Departments that fund payroll with Capital (type 2) or Federal Grant (type 4) appropriations	Review Program table for Grants/Capital	MMARS	5/11	6/2
☐	Departments that fund payroll w/ DCAM child appropriations	Review Program/Activity/Phase table for Capital Level 4 budget	MMARS	5/11	6/2
☐	Departments that have LCM Detail Accounting Labor Distribution Fields	Identify Chart of Accounts codes to be added, changed or deleted on LCM Defaults	LCM	5/11	6/2
☐	Departments that use POAA	Review new FY POAA Rules generated by Rules Roll. “Submit” continuing POAAs, “Discard” the non continuing POAAs.	LCM	6/1	6/14

New Fiscal Year Processing
This section includes the tasks for setting up all Tables for new FY processing.

As new FY changes are identified and documents created, it is important to use the correct Effective Date that corresponds to distribution. Generally a 7/1/XX Effective Date corresponds to new FY COA Tables.

	Responsible	**Task**	System	Start	Due
☐	Departments with non continuing payroll accounts	Transfer Positions that are assigned to invalid accounts in the new FY. Contact HRD to arrange Mass Position transfer.	HR/CMS	5/2	6/14
☐	Departments that use Event Accounting Rules distribution	Verify whether current Department DEACC Rules should continue for new FY processing	LCM	5/2	6/14
☐	Departments that use Alternate Account for payroll funding	Set up Alternate Accounts (PALT) Rules for new FY	LCM	5/2	6/14
☐	Departments with "required" non-statutory COA elements	Review PCREQ Table for new FY	LCM	5/2	6/14
☐	Departments that use POAA	Confirm POAA Rules are in "Approved" Status for new FY	LCM	6/1	6/30
☐	Departments with changing COA elements	Set up Employee Default Distributions: DEPTE, LDPR and EDPM as desired for new FY	LCM	5/2	6/23
☐	All Departments	Finalize NewMMARS Expense Budget Docs	MMARS	5/2	6/14
☐	Departments that have Capital (type 2) or Federal Grant (type 4)	Finalize NewMMARS Capital and Grant Budget Documents	MMARS	5/2	6/14
☐	All Departments	Create PH documents if required for AP Payroll	MMARS	5/2	6/30
☐	All Departments	Before renewal, perform Contract Employees vs. Independent Contractors tests. Independent Contractor's must be paid through the State Accounting System.	MMARS HR/CMS or e*mpac	5/2	6/30
☐	All Departments	Process prior FY PRRV/PRRFC transactions in non-continuing accounts	MMARS	5/2	6/23

New Fiscal Year and Accounts Payable
This section includes tasks and other key dates for Payroll Processing

	Responsible	**Task**	System	Start	Due
☐	All Departments	Enter Time and Attendance for Split Week payroll.	HR/CMS	6/28	7/10
☐	Departments with Early Retirement payments	Verify ERIP payments for Split Week payroll.	HR/CMS	6/28	7/10
☐	All Departments	All prior FY payroll accounts with negative uncommitted and unexpected balances must be corrected.	MMARS		7/10
☐	All Departments	Set-up Employee Default Distributions for Split Week payroll: DEPTE, LDPR and EDPR.	LCM	6/28	7/11
☐	All Departments	Deadline for correcting prior FY PRLIF and PRLDE documents.	MMARS		7/14
☐	All Departments	Last date to enter AP payroll for ppe 7/22/06	HR/CMS		7/24
☐	All Departments	Last date to enter AP payroll for ppe 8/05/06	HR/CMS		8/7
☐	All Departments	Last date to enter AP payroll for ppe 8/19/06	HR/CMS		8/21
☐	All Departments	Last day to enter Final AP payroll for FY2006	HR/CMS		9/1
☐	All Departments	Last day for FY2006 LARQs	LCM		8/31
☐	All Departments	Payroll Hold (PH) Lapse (except departments with approved extensions).	MMARS		9/5
☐	Departments with approved extensions	Final PH Lapse	MMARS		9/15

How Do I Learn More?
Questions about this document may be directed to your Department's MMARS Liaison. Additional information is available on:
The CTR Knowledge Center at http://knowledgecenter.CTR.state.ma.us/KC/Home.asp
Contact the Help Desk at 1- 617-973-2468 for assistance in using LCM and MMARS
Contact Commonhelp for any HR/CMS questions.

Section Ten
Revenue Management and Cash Receipts

Section Introduction

Departments are responsible for making diligent efforts to collect legislatively authorized, aged earned revenue/account receivables owed the Commonwealth. These efforts include, but are not limited to, the following debt collection cycle: initial billing, dunning, intercept, and debt collection. If all efforts are made and collection is not possible, a department can submit the debt to the Office of the Comptroller (CTR) for write off. In addition, Departments must pay special attention to year end closing instructions to account for all cash receipts in the appropriate fiscal year.

REs and CRs Guidance

- All FY2006 RE and CR transactions must be in a final status and be ready for the RE Roll by 7/7/06.
- No department statements will be generated until the department's receivables roll to FY2007.
- Departments will not be able to process any FY2007 CRs against prior year receivables until the department's receivables roll.
- CTR will not process any Bank of America CMCR lockbox CR transactions until after the department's receivables roll.
- MMARS Warrant Intercept processing against delinquent receivables will be suspended on July 1, 2006 until all FY2006 receivables roll.
- RE guidance for Federal Grants and the Federal Highway Administration is addressed under the Federal Grant Section of this Open and Close Document.

Each business day throughout the year Departments should be reviewing the Document Catalog and cleaning up any REs and CRs that are not in Final status (successfully submitted). Departments should review all FY2006 CR or RE documents that are in Held, Ready, or Reject Status and make the necessary corrections prior to June 23rd.

Reports that can assist departments in reviewing their Accounts Receivable activity are:

- NGA208W – Cash Received and Allocated
- NAR410SD - Detailed Aging Receivables by Dept Unit and Billing Profile
- NAR401W - Accounting Receivable Detail Transaction Activity.

Summary Receivable Modification Guidance

Maintaining One Summary Receivable Across Fiscal Years

Departments that post one summary receivable and maintain it across fiscal years need to understand the difference in adjusting their outstanding receivables in MMARS.

Receivables are modified (increased and/or decreased) by completely blanking out the dollar figure on the accounting Line Amount and entering the new actual amount. When estimating the account receivable amount for the new fiscal year, a department will need to add the previous billed amount (which is the current Line Amount) to the new estimated amount and use that as the new amount on the accounting line**.**

For example: If a summary receivable was billed for $1,000,000 in fiscal year 2006 and a department wants to estimate the new billed amount to be "$1,500,000" for fiscal year 2007, the department will need to modify the existing accounting Line Amount field to"$2,500.000". This number represents last year's billed amount -- $1,000,000 --, which is added to the new years, estimated billed amount – "$1,500.000".

Receivable Roll Information

FY 2006 RE document accounting lines with open balances are rolled into the new fiscal year. This means that any RE that has at least one line with a Line Amount greater than the line's Closed Amount will roll into the new fiscal year.

Because only those RE's in a Final status with an open balance will roll, it is imperative that departments ensure that all FY 2006 RE, RE modifications and CR's referencing RE's are in FINAL status prior to 7/7/2006.

1. Create a new RE Modification version.
2. Add the text "Roll Document from 2006 to 2007" to the RE Header Document Description field.
3. Increase the Budget Fiscal Year value on the open RE line (only this line) from 2006 to 2007.

4. Select an RE line Reason Code of "ROLLRE".
5. Create one Posting Line that Credits Billed Earned Revenue in BFY2006 and one Posting Line that Debits Billed Earned Revenue in BFY2007.

The result of rolling the open RE lines is a decrease to the Billed Earned Revenue on the BQ82 tables in BFY2006 and an increase to the Billed Earned Revenue in BFY2007

The CTR Revenue Bureau will contact departments who use the RE document during the month of June to assist in document cleanup as well as confirm the exact roll date for each department. RE's created as a result of automated central draw transactions related to federal grants will not be rolled.

Cash Reconciliation

The concept of cash reconciliation has not changed. The sum of cash deposits (CDs) for the end of the fiscal year must equal the sum of cash receipts (CRs) at the end of the fiscal year regardless if they reference a receivable.

Monthly Cash Reconciliation

Bank statement deposits must be reconciled to cash deposits on a monthly basis. Please note that a deposit made on the last day (or close to the last day) of the month may not appear on that same month's bank statement.

Tools for Cash Reconciliation

Departments have a variety of tools available to accomplish their reconciliation. The MMARS central revenue budget table BQ82 level 3 lists the deposits (CD) and allocated revenue (CR). These transactions can be accessed by clicking on the hourglass under the collected earned revenue or the collected/unearned revenue fields. The M_GA_Accounting_Journal from the Information Warehouse can be queried to list both deposits and allocated revenue by accounting period if you choose to do so.
To ensure that cash and revenue are properly reflected, departments can also use Report NGA208W - Cash Received and Allocated, which replaces the former 469A report for cash receipts; and Report NAR401W – Accounting Receivable Detail Transaction Activity, which replaces the former 430A report for details.

Transactions That Collect and Transfer Cash

In MMARS, cash deposits (CDs) post funds to a department's sweep account. The cash receipt (CR) and the internal document (IT) apply cash against receivable and/or transfer cash to a central revenue budget. When reconciling cash received, departments must take into account both the CR and IT transactions (discussed in detail below). The CR transaction that has an adjustment reason code of non-sufficient funds (NF) has reversed cash from the receivable back to the sweep account. Both the CR and the non-sufficient fund CR can be viewed in the M_GA_Accounting_Journal. Departments can query event type code AR02 (collected earned revenue). Pull in the adjustment reason field and enter "NSFCHECK" as the criteria to view non-sufficient fund CRs. If this field and criteria are not entered, you will not know which CR reversed cash due to insufficient funds.

Schools that book trust funds on their summary receivable and post cash using a Receipt of Trust (RT) against the summary receivable can query collected revenue by using the event type AR02.

CR Guidance

Cash Receipts

Cash receipts on hand or on deposit as of June 30, 2006 are FY2006 assets and revenue of the Commonwealth and need to be reflected as such on the annual financial statements.

Final deposits for June 30th collections must be posted by the bank by noon on Monday, July 3rd 2006. To ensure that all deposits reflected in clearing accounts are properly posted for the FY2006 closing, departments should enter CRs at the same time that the deposits are made for cash received through June 30th. All clearing accounts (fund 0699) must be zeroed out by the close of period 12. Departments needing assistance should contact the General Accounting Bureau.

Treasury (TRE) will process sweeps to properly credit deposits received by noon on July 3rd. In the event that funds deposited with the bank by noon July 3rd are swept late or posted to the opening year by TRE, the Comptroller's office will work with TRE to adjust these funds back to FY2006.

All FY2006 CRs should be entered by July 7th and must be marked Period 12 AFY 2006 and BFY 2006. Care must be taken in preparing CRs either manually or through an interface so that they are marked with the proper fiscal year.

Please note: Adjustments for cash will be made ONLY with proof of deposit, i.e., a deposit slip/receipt, stamped with date/time, by the bank.

CMCR Lockbox and Electronic Payment Processing

Deposits received at all sponsored lockbox banking facilities by 11:59 p.m. on Friday, June 30, 2006 will be recorded in MMARS as FY2006 revenue. The bank will provide CTR two separate deposit files: one for collections received by 11:59 p.m. on June 30; and one for those received 12:00 midnight and after on July 1.

Deposits received through the ePay process by 11:59 p.m. on Friday, June 30, 2006 will be recorded in MMARS as FY2006 revenue. The ePay vendor will provide CTR two separate deposit files: one for collections received by 11:59 p.m. on June 30; and one for those received 12:00 midnight and after on July 1.

CTR and Departments will reconcile the lockbox and ePay deposits to MMARS to ensure that the deposits have been recorded in the appropriate fiscal year. CTR will make any corrections.

Reports that Departments can use to reconcile their lockbox and ePay CRs and deposits are the NAR402SD - CR Generation Report; and NAR403BD - Master Lockbox Daily Deposit Report.

Credit Balances

Departments are encouraged to apply the credit to outstanding REs or issue refunds to customers before 6/30/2006. However, the customers with credit balances on the Reserve Credit Balance Table (RCBD) will automatically have the cash placed in the balance sheet account # 2257. This will roll the money to the next fiscal year and allow departments to apply the credit to future REs or issue a refund.

Intercept Reconciliation

For FY2006, all intercept IT documents processed in MMARS by 11:59 P.M., June 30, 2006 will be considered FY2006 revenue.

The internal document (IT) records an intercept and applies cash against a receivable and/or transfers funds to a central revenue budget if not referencing a receivable. This document also records and transfers the CTR and DOR fee (if any) to the appropriate central revenue budgets. The IT document is always processed to a final status unless there is a change in the debt amount. Departments no longer have to wait for cash to clear. Receivables are automatically reduced the same night an intercept is recorded, and/or cash is transferred to a central revenue budget the same night of the intercept for non-receivable entities.

Departments are not able to view on the document catalog in MMARS an IT document that has CTR as its header department code. CTR in conjunction with ITD has developed the M_GA_Accounting_Journal_IT table in the Information Warehouse. This table allows departments that have had intercepts against receivables or external debt to view their IT documents and reconcile cash regardless of the header department code. This table is still not yet available. When it does become available, departments that wish to view the cash applied against receivables should query event type code IN10 (collected earned revenue) from the M_GA_Accounting_Journal_IT. Departments that have external debt and have had cash transferred to a revenue budget should query event type code ED99 (collected earned revenue) from the M_GA_Accounting_Journal_IT. Please note that the dollar amounts will appear as negatives.

Intercept Refunds

Departments that have had an intercept against a MMARS receivable and need to refund the debtor can process a refund type one (RF1) referencing the receivable revenue budget (event type AP10). Departments cannot reference the IT document on the refund. Rather, they should enter the IT document number of the incorrect intercept in the description field under the accounting line section for audit purposes. This field can be queried if needed in the future. This action does not reverse the cash that has been applied against the receivable. This is a known incident. It is anticipated that in a future release, receivable departments will be able to reference the IT on the RF1 that will automatically reverse the cash and allow for the receivable to be adjusted.

For one-time refunds, departments can use the miscellaneous vendor/customer code VCUS1XREFUND. Please data enter the debtors' correct address on the address lines of the refund. Please remember to enter the country code "USA" in the country field when using the miscellaneous vendor/customer code.

Departments that have had an intercept against a debt file (non MMARS receivable) and need to refund the debtor can process a refund type one (RF1) by also referencing the receivable revenue budget (event type AP10). These departments must also enter the IT document number of the incorrect intercept in the description field under the accounting line section for audit purposes. Since a debt is not an actual receivable, there is no concern for cash reversal.

Revenue Refunds Type One

Departments that have processed a revenue refund and have referenced the CR on the refund type one (RF1) to reverse the payment applied to a receivable will notice that the refund type one (RF1) is not backing out the cash against the receivable. The receivable appears as closed with a payment being applied. Once the refund type one has been processed, the cash is refunded. Departments will need to use the forward reference keys on the receivable to follow the audit trail of the refund.

Departments can view their revenue refunds (RF1) by querying the M_GA_Accounting_Journal and including the event type code AP09.

Refunds processed due to an overpayment are not affected by this business policy. Overpayment refunds reference the overpayment line of a CR, which is event type AR41 should be processed 6/30/2006.

Write-Off Guidance

All write-off requests must be sent to the Revenue Bureau in writing by June 9, 2006, attention Maria Bottari, in order to be approved for FY2006. Departments that have a large number of write off requests (over one hundred receivables) are required to interface a write off file (available on the Knowledge Center) once their write off request has been approved. Departments requiring adjustments after the close of period 12 should contact the Accounting Bureau at CTR.

Prior to submitting a write off request, departments, unless legislatively authorized, must attempt to collect the debt either through intercept, debt collection or both.

The following guidelines are to be used for departments requesting a write off:
The account receivable(s) being written off must be on MMARS. If not on MMARS, a reason must be specified.
Departments must submit a formal letter and include a copy of the write off request form (also available in the Knowledge Center).

Original evidence documentation must be submitted with the request showing that diligent efforts were made to collect. Types of evidence documentation may include a debt collection agency's close and return report, bankruptcy rulings, the use of intercepts, etc.

If a department does not have evidence documentation for their request, the department must provide a copy of their legislative authority preventing them from using any type of collection methods.

Debt Collection Agencies may not refer any debt to the Office of the Comptroller to be written off.
Requests that do not have sufficient documentation and/or are partially completed will be returned to the department for completion.

The write off transaction (WO) automatically reduces to zero the remaining debt of a receivable event. Departments can view their write offs by querying the M_GA_Accounting_Journal and entering event type code AR86 and a classification code of 15.

Interface Timing

The correct fiscal year dates must be included on the RE and CR interface files representing either FY2006 or FY2007 transactions.

For files sent containing FY 2006 RE or CR transactions, the following fields need to be populated:
AFY (Accounting Fiscal Year) = 2006
AFP (Accounting Fiscal Period) = 12
BFY (Budget Fiscal Year) = 2006

For files sent containing FY 2007 RE or CR transactions, the following fields need to be populated:
AFY (Accounting Fiscal Year) = 2007
AFP (Accounting Fiscal Period) = 01
BFY (Budget Fiscal Year) = 2007

Debt Collection

The Commonwealth's statewide contract for debt collection services engages private entities to collect outstanding debt on behalf of the Commonwealth. All FY2006 collections made by a debt collection agency on behalf of a department must be deposited into the department's approved bank account by noon July 1, 2006*.* Departments should remind debt collection agencies of this deposit requirement to ensure accurate accounting of FY2006 debt collected.

Departments also need to remind debt collection agencies that reporting and invoicing requirements may differ from their normal reporting/invoicing schedule, but are required for proper fiscal year end closing: No later than July 7, 2006 the debt collection agency must submit the required standard electronic debt collection report and invoice for all debt collected through June 30, 2006. Departments should review this information for accuracy and process any resultant payment vouchers no later than July 7, 2006.

It is anticipated that a new Debt Collection contract will be implemented in early FY2007. Departments can continue to use debt collection agencies from the existing contract through this period. Should an existing debt collection agency not continue on the contract, there will be a period of time, following the signing of the new contract, to enable these agencies to return all debt collection materials to departments.

Section Eleven
GAAP and Fixed Assets

Section Introduction

This section outlines GAAP and fixed asset requirements for departments, as well as special instructions for Higher Education Institutions.

Generally Accepted Accounting Principles (GAAP)

Since FY1986, the Commonwealth has issued an audited Comprehensive Annual Financial Report (CAFR) with financial statements prepared according to Generally Accepted Accounting Principles (GAAP). Since FY1990, the CAFR has received unqualified opinions from the independent auditors, and the CAFRs for FY1990 through FY2004 have been awarded the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The FY2005 CAFR has also been submitted to the GFOA Certificate of Achievement Program. These GAAP-based CAFRs, and their recognition for excellence, are increasingly important to the financial community as a measure of the Commonwealth's fiscal responsibility. The quality of CAFR financial information depends upon individual and department efforts to prepare timely and accurate GAAP reporting packages.

The basic FY2006 department GAAP instructions, including forms, will be issued by May 26th. The GAAP reporting package is due back to CTR by August 7th 2006. Any department that submits their information after this deadline may be subject to an audit finding.

Encumbrance management practices will again be relied upon to provide the basis for most accounts payable reporting. Departments that prepare GAAP information beyond the basic GAAP Department reporting will be contacted individually to review and coordinate FY2006 special GAAP reporting.

As in prior years, separate GAAP Instructions will be published to provide a detailed walk-through of procedures and sample forms/reports to be used. Major points of emphasis will be:

1). Use of queries/CIW reports to support analysis of accounts receivable, allowances for uncollectible and deferred revenue. Special assistance will be provided to departments with complicated reporting issues. All accounts receivable adjustments must be entered in MMARS by July 9, 2006 to facilitate the Accounts Receivable roll to FY2007.
2). Timely departmental review and update of HR/CMS data to support accurate compilation and audit of compensated absence accruals.

Fixed Assets

Departments that own fixed assets are responsible for recording all acquisitions, betterments, changes, transfers, and dispositions for GAAP fixed assets and for a physical inventory of non-GAAP fixed assets. Please refer to http://knowledgecenter.CTR.state.ma.us/KC/Home.asp for additional information.

- Departments should process all FA documents within seven days of the acquisition of the asset or FA "Shell" generation. In addition, departments are required to process any subsequent Fixed Asset related documents (FC, FD, FI or FM) in a timely manner. All Fixed Asset transactions must be done in MMARS by July 8th, 2006. Any FY2006 transactions processed after July 8, 2006 may be subject to an audit finding.
- The FC/FI documents require a CTR Work list approval. Copies of the FI/ FCs "Accounting Section" should be forwarded to Trish McKenna, Accounting Bureau, Office of the Comptroller. Supporting documentation must be submitted with any FI / FC.
- Non-GAAP Fixed Assets must be inventoried and controlled in accordance with the policy posted in the Knowledge Center.

The following reports have been added to the list of Fixed Asset Reports and are available to departments on View Direct and/or Document Direct.

List of Current Fiscal Year Fixed Asset Reports

NGA150WD	Fixed Asset Detail Report (A complete list of all GAAP & Non-GAAP assets)
NGA150WS	Fixed Asset Summary Report
NGA151WD	GAAP Fixed Asset Detail Report
NGA151WS	GAAP Fixed Asset Summary Report

Special Higher Education Reporting

Statutory Basis

In FY2006, MMARS detail by Institution for non-appropriated funds will again be included in the Commonwealth's Statutory Basis Financial Report (SBFR).

To meet the publication deadline of October 31st for the SBFR, institutions must:

- Complete the MMARS posting of FY2006 statutory basis non-appropriated receipts and disbursements by the end of July. From the close of period 12, special coordination with CTR will be required. Departments should enter document, coded with accounting period 13 or 14 2006. Institutions should then contact CTR for final processing.
- For Fund 0901, provide supplemental information for statutory accounts payable by August 7, 2006.
- On or before September 11th, submit fixed asset information and operating and capital lease information for the Commonwealth's SBFR. The fixed asset information should include the amount of fixed assets acquired from capital leases. This information will be disclosed in the notes to the audited financial statements of the Institution.
- All higher education institutions must submit the federal student loans schedules and the guaranteed student loan schedule by September 11, 2006.

By September 1st all FY2006 Higher Education activity through June 30, 2006 should be posted to MMARS. By September 5th, the MMARS trial balance query/CIW report (replacing classic MMARS RPT110H) will be made available to higher education schools. This will provide the basis for final reconciliation between MMARS non-appropriated information and each institution's internal system. The due date for final reconciliation is September 11, 2006.

Delivery of Information

All institutions will issue FY2006 audited financial statements in accordance with AICPA-GAAP. These audited financial statements must be issued and received by the Comptroller's Office by October 16, 2006, with an unqualified opinion. The institution must meet the MMARS statutory reporting requirement financials, and a separate analysis related to the *Schedule of Federal Financial Assistance*. The reconciliation must be reviewed by the institution's independent auditors and noted in the footnotes to the financial statements. The Higher Education guidance issued by the Comptroller's Office at http://www.mass.gov/CTR/accountg/HigherEd/gpackage_HigherEd_01audit_063001.html is still applicable.

Schedule of Key Dates – Higher Education

Event	Date
Preliminary HMBEN007 Compensated Absence Information (as of April 30) available on View Direct for review	May 12, 2006
Final HMBEN007 Compensated Absence Information Available on View Direct	July 21, 2006
Higher Education Statutory Accounts Payable (Fund 0901)	August 7, 2006
Higher Education Federal Financial Assistance Schedules Distribution	August 7, 2006
FY2006 Encumbrance Lapsing	September 1, 2006
Complete posting Higher Education activity on MMARS	September 1, 2006
Preliminary Trial Balance Query/CIW Report on View Direct	September 5, 2006
Completion of FY2006 Higher Education activity through June 30	September 11, 2006
Higher Education Fixed Asset and Lease Information	September 11, 2006
Higher Education Federal Financial Assistance Schedules Due	September 11, 2006
Final Trial Balance Queries/CIW Reports Available on View Direct	September 20, 2006
Higher Education Audited Financials Due	October 16, 2006

GASB Statement 42 Implementation

The Government Accounting Standards Board (GASB) has released Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, applicable starting in FY2006. The Commonwealth is required to evaluate prominent events or changes in circumstances affecting fixed or other assets, such as cash, to determine whether impairment has occurred. A policy on impairment reporting has been posted with the Knowledge Center.

FY2007 OPENING

Generally Accepted Accounting Principles (GAAP)

GAAP reporting and Higher Education special reporting occurs at the end of the fiscal year. There are no special opening requirements.

Fixed Assets Reporting

Departments Other Than Higher Education

MMARS fully supports the departmental entry of fixed asset documents (acquisitions, betterments, transfers, dispositions and modifications). The MMARS Fixed Assets subsystem is fully integrated with Accounts Payable via a more robust use of commodity codes. Functionality includes: Automated depreciation, improved audit trails, enhanced Construction in Process accounting and linkage between all payments, partial or full, and its fixed assets.

MMARS provides a direct link between purchases and the Fixed Asset sub-system. A payment (PRC payment request document) in MMARS that references a fixed asset sensitive commodity code and meets a certain dollar threshold automatically generates a pending fixed asset shell, to be completed by the department. . In some instances, such as when a fixed asset is received through a donation or for the optional recording of a non-GAAP fixed asset, MMARS offers the opportunity to generate a fixed asset manually. The table below notes the fixed asset commodities and associated minimum capitalization thresholds where a fixed asset shell will be automatically generated after a payment is processed in MMARS.

Fixed Asset Commodities & Minimum Capitalization Thresholds

Commodity	Code	Minimum Capitalization Threshold
Building	B	$100,000
Equipment	E	$50,000
Works of Art / Historical Treasures / Monuments	H	$50,000
Infrastructure	I	$100,000
Computer Software < $1 million but > $50,000	K	$50,000
Land	L	$0.00
Software > $1 million	S	$1,000,000
Vehicles	V	$50,000

Higher Education

If prearranged in advanced, and approved by the State Comptroller, Higher Education Institutions may choose not to record fixed assets on MMARS; as long as institutions issue separate and independent audits, completed and filed with the Office of the Comptroller on or before October 1st annually. These eligible institutions must have an auditable fixed assets system available for inspection by CTR. At a minimum, the system must be capable of tracking additions, betterments, changes, disposals, with gains and loses thereon; among other necessary requirements.

FY2006 GAAP Pronouncements to be Implemented

In FY2006 three GAAP Pronouncements will be implemented, one of which will directly effect departments. The three are:

- GASB Statement 42 – *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*
- GASB Statement 44 – *Economic Condition Reporting: The Statistical Section*
- GASB Statement 46 – *Net Assets Restricted by Enabling Legislation*
- GASB Statement 47– *Accounting for Termination Benefits*

Of these four, only GASB Statement 42 is applicable for departments. This statement is about impairment of capital assets and insurance recoveries on those assets. Impairment can occur due to physical damage (e.g. theft, fire or flood,) enactment or approval of legislation, changes in the environment, technical change or obsolescence or construction stoppage.

Section Twelve
Information Delivery

Section Introduction

Standard reports produced from the MMARS system as well as from the Commonwealth Information Warehouse (CIW) will be published for both Budget Fiscal years until FY 2006 is closed. There are some MMARS reports via the CIW web portal that will display both open fiscal years in the same report version. There are no special preparations that CIW end-users need to make to their queries in advance of the fiscal year roll. MMARS data in the CIW has been structured to present data for all fiscal years through common views.

MMARS Reports

MMARS offers a standard set of reports for ongoing financial management, operations and reporting. Reports that are based on the source system (identified by an "S" in the seventh position of the report ID) are accessible through the Document Direct web portal (<https://docdirect.itd.state.ma.us>). Reports that are based on the Commonwealth Information Warehouse (identified by a "W" in the seventh position of the report ID) are available via the Document Direct web portal as well as via the CIW's web portal (<https://ciw-reports.state.ma.us>).

Security for access to MMARS reports via the CIW web portal is automatically granted along with security access to MMARS data in the CIW. Security for access to MMARS reports via the new Document Direct desktop client, or via the new Document Direct web portal, is based on security access to Classic MMARS reports in View Direct/Document Direct.

MMARS report IDs follow the naming standard shown below:

MMARS	Business Function Area	Report #	Source of the Report	Mode
N	GA	207	S	

Business Functional Areas	Report
FR= Financial Reporting	100-199=Financial Statements
GA= General Accounting	200-299= General Accounting and Budgetary Control
SA= System Assurance	300-399=System Control
CA=Cost Accounting	400-499= Accounts Receivable, Revenue and Cost Accounting
AR= Accounts Receivable	Revenue and Cost Accounting
AP=Accounts Payable	500-599=Expenditure Budgetary
AP =Disbursement	600-699=Disbursement Management, Encumbrance Management, Master Agreement Activity Various alpha descriptors
PR= Encumbrance	Agreement Activity
L=Labor Cost Management	Various alpha descriptors

Source of the Report	Mode
S=Source	Various. A= All or Appropriation, D=Detail O=Open, P=Program R=Report only, S=Summary, U=Update
W=Warehouse	Various. A=Ad Hoc, B=Budgetary, C=Combined or Control, D=Daily or Detail, F=Fund, R=Revenue Source, S=Summary, but this list is not exhaustive

CIW Hours of Operation

Monday 7:30 AM	**Tuesday 5:30 AM**
Tuesday 7:30 AM	**Wednesday 5:30 AM**
Wednesday 7:30 AM	**Thursday 5:30 AM**
Thursday 7:30 AM	**Friday 5:30 AM**
Friday 7:30 AM	**Saturday 10:00 AM**
Saturday 12 Noon	**Sunday 12:00 Noon**
Sunday 2:00 PM	**Monday 5:30 AM**

CIW Support

Training in the use of MMARS data in the CIW is provided by CTR. Details related to this training may be found at the Knowledge Center (<http://knowledgecenter.CTR.state.ma.us/KC/Home.asp>).
End-users may also call Commonhelp at 1-866-888-2808 for questions about MMARS data in the CIW and for assistance with their queries of the data.

The CIW team hosts quarterly User Group Meetings; dates and planned agendas are posted on the CIW website, http://www.iw.state.ma.us <http://www.iw.state.ma.us>. In addition, end-users may bring their query questions to scheduled drop-in sessions for assistance. Details regarding time and locations for these sessions are also available on the CIW website as well as the CTR Knowledge Center.
Additional Information

Additional information related to MMARS/LCM data in the CIW may be found at the CIW web site, <http://www.iw.state.ma.us>.